

**BLACK
MOUNTAIN**
NORTH CAROLINA



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020



Prepared by:
Finance Department

Submitted by:
Town Manager
Josh Harrold

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION



Town of Black Mountain

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www.townofblackmountain.org

February 16, 2021

The Honorable Mayor, Town Board of Aldermen and
Citizens of the Town of Black Mountain
Black Mountain, North Carolina

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Black Mountain, North Carolina for the fiscal year ending June 30, 2020. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the Town of Black Mountain for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the Town of Black Mountain. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the Town of Black Mountain has established a comprehensive internal control framework that is designed to protect the Town's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Town of Black Mountain's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh the benefits, the Town of Black Mountain's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Black Mountain's financial statements have been audited by Mauldin & Jenkins, CPA's and Advisors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Black Mountain, for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Black Mountain's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The report of the independent auditor is presented in the first component of the financial section of this report.

Generally Accepted Accounting Principles requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Black Mountain's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town of Black Mountain, North Carolina

The Town of Black Mountain was established in 1893 and is located in western North Carolina, sixteen miles east of Asheville, North Carolina. The town was named for the Black Mountain range, part of the Blue Ridge province of the Southern Appalachians. The Town presently covers 6.5 miles, and serves an estimated population of 8,460, but can swell to over 25,000 during the summer weekends due to the many conference centers in the Town, and the overall tourism draw of the area.

The Town operates under a council/manager form of government. Policy-making and legislative authority are vested in the Board of Aldermen, consisting of the mayor and five other members. The Mayor and Board of Aldermen serve four year staggered terms, with all elections being non-partisan. The Board of Aldermen is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager and Town Attorney. The Town Manager is the chief administrative officer for the Town, and is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing heads of the Town's departments.

The Town provides its citizens with a wide variety of services including public safety, planning and development, culture and recreation, streets maintenance, sanitation and water services. The Town's water system serves over 3,850 customers, which includes Town residents, and customers from outlying areas. The Town produces 75% of its water from twelve wells, most of which are located one mile southeast of the Town in the Black Mountain watershed. The remaining 25% is purchased from the City of Asheville. This report includes all of the Town's activities in providing these services.

The Town is empowered to levy a property tax on both real and personal properties located within its boundaries. Buncombe County is the only other unit that levies taxes within the Town's limits. The Town is also empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the Board of Aldermen.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. North Carolina General Statutes require that all governmental units in the State to adopt a balanced budget by July 1st of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations and guides the Town's accounting system as well as daily operations. The Town of Black Mountain maintains budgetary controls to ensure compliance with annual and project budget ordinances approved by the Board of Aldermen. Project budgets are adopted for the duration of the project; therefore, neither the project nor the appropriation need to be readopted in any subsequent fiscal year. The level of budgetary control (that is, the level at which expenses or expenditures cannot legally exceed the appropriated amount) is established by department level. More than one department may appear under a specific function, but the budgetary control is by department. Budgetary control is maintained through the use of an encumbrance accounting system and encumbrances outstanding at June 30th are closed out.

In accordance with state law, the Town's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for unmatured principal and interest on long-term debt and certain compensated absences. The General Fund is reported on the modified accrual basis in the fund financial statements. The Town's Proprietary Funds (Water and Golf) are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

Economic Condition of Black Mountain, North Carolina

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Black Mountain operates. Black Mountain's financial position remains healthy and should remain strong in the foreseeable future based on the robust local economy and the desirability of Buncombe County as a destination for business and families.

Local Economy

The Town of Black Mountain is part of the Asheville Metropolitan Region, the western North Carolina center for manufacturing, health care, banking, professional services, and tourism. Asheville consistently rates highly among the most desirable places to live in the entire country.

Due to the ongoing pandemic, which began in March 2020, Buncombe County's unemployment rate of 9.7%, as of June 2020, is higher than the overall State of North Carolina rate of 7.5%. Much of this is due to the large tourism sector in Buncombe County. Ingles Markets, a Fortune 1000 company with over 200 stores throughout the Southeast, is based in Black Mountain. Other major employers include the Buncombe County Board of Education and the Black Mountain Neuro-Medical Treatment Center.

The Town of Black Mountain, along with all of Buncombe County, are very popular with residents and visitors, and this popularity has fueled healthy increases in its' two largest revenue sources, property taxes and local option sales tax. These two revenue sources have averaged an annual percentage increase of over 4% over the last ten years, and account for 65% of General Fund revenues. Approximately 22% (271 million) of the Town of Black Mountain's tax base is considered commercial in nature, with the Ingles warehouse comprising nearly one half of this amount.

The Town's economy is expected to remain stable because of the benefits derived from the ongoing progress of five residential developments, as well as increases in residential single family construction.

- The Settings of Black Mountain, located off of Highway 9, sits on 370 acres and comprised of single family residences. Construction began in 2006 and is still ongoing. When complete, the development will add 271 single family residences. Forty percent is designated greenspace.
- Chapman's Cove subdivision sits on just over four acres off of Blue Ridge Assembly Road, is half completed and includes ten single family residences.
- Sweet Birch subdivision sits on over nine acres on Blue Ridge Road and just began construction. When complete, the development will add 60 residential units (30 duplexes).

- Padgett Place subdivision sits on close to nine acres off of Padgettown Road and has not yet started construction. When completed, the development will add forty single family residences.
- Tudor Croft subdivision sits on just under thirty five acres of land near the Town golf course and is nearly 30% done with construction. When the development is completed, the development will add 250 single family residences.

Tourism plays a large role in the economy. The moderate climate, picturesque downtown, and the natural beauty of the mountains continue to draw visitors from far and near. Black Mountain also benefits from its proximity to two colleges (Montreat and Warren Wilson), as well as many large faith based conference centers.

Long-Term Financial Planning and Major Initiatives

At June 30, 2020, the Town has designated a total of \$1,039,404 into its Capital Reserve Funds. The Town intends to make annual contributions to these funds as a way of setting aside funds needed for capital purchases throughout the different functions of Town government. This practice was also established to reduce the dependency on debt issuance and/or large one time reductions in fund balance. Currently, these funds are earmarked for building improvements for the Fire Department and water system improvements. Debt payments account for 5.3% of governmental expenditures and the weighted average interest rate for all Town debt currently stands at 2.86%.

The Town of Black Mountain prepares a five-year Capital Improvement Plan (CIP) to function as a planning tool for capital improvements and major capital purchases. The CIP represents a multi-year forecast of the capital needs but only the current year schedule is adopted annually by the Board of Aldermen and becomes part of the operating budget. The CIP not only identifies capital projects, but also the financing required for the projects and their impact on the operating budget. Capital projects can differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years. Because priorities can change, projects included in future planning years, are not guaranteed for funding.

The Town has recently undertaken two multi-year projects that are intended to improve the Town for future generations. The first is the Riverwalk Greenway Phase II, which is scheduled to be a five year project and is 80% grant funded. The project will connect the Flat Creek Greenway with the Oaks Trail at Veterans Park and provide an alternative to automobiles for residents and guests. The second project involves water and sewer infrastructure improvements at the Commerce Park Business Park. This project is 100% grant funded and upon completion will house the Life Science Company, Avadim Technologies, as well as making the entire site much more desirable to potential tenants. The Town also has a number of smaller capital projects ongoing, all of which are partially grant funded.

Financial Policies

The Town's management has relied upon sound financial policies and procedures to manage the operations of the Town during the economic downturn while maintaining core services and providing for Board priorities. Maintaining an adequate fund balance has helped the Town weather the prospect of revenue shortfalls without an interruption of services. In January of 2017, the Board of Aldermen amended the fund balance policy, designating the minimum unassigned General Fund balance to be maintained at 30% of General Fund expenditures. The Town's current unassigned fund balance is 48.5% of General Fund expenditures. This is an increase from 32.1% from fiscal year 2019, in large part due to the sale of town property and the fact that General Fund revenues exceeded expenditures

by \$546,180 in fiscal year 2020. Idle cash is invested with the North Carolina Capital Management Trust (NCCMT), an investment pool for local governments and public authorities in the State of North Carolina.

Awards and Acknowledgements

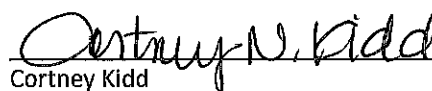
The Governmental Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Black Mountain for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the eighth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Finance Department. The cooperation of each Town department is appreciated, as we work together in conducting the Town's financial operations. We also express our appreciation to the mayor and members of the Board of Aldermen for their continued support, guidance, and advice in planning and conducting the financial activities of the Town in a responsible and progressive manner. We also thank Mauldin & Jenkins CPA's and Advisors for their assistance.

Respectively submitted,


Josh Harrold, AICP, CFM, CZO
Town Manager


Courtney Kidd
Senior Accountant

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**TOWN BOARD MEMBERS AND OFFICIALS
JUNE 30, 2020**

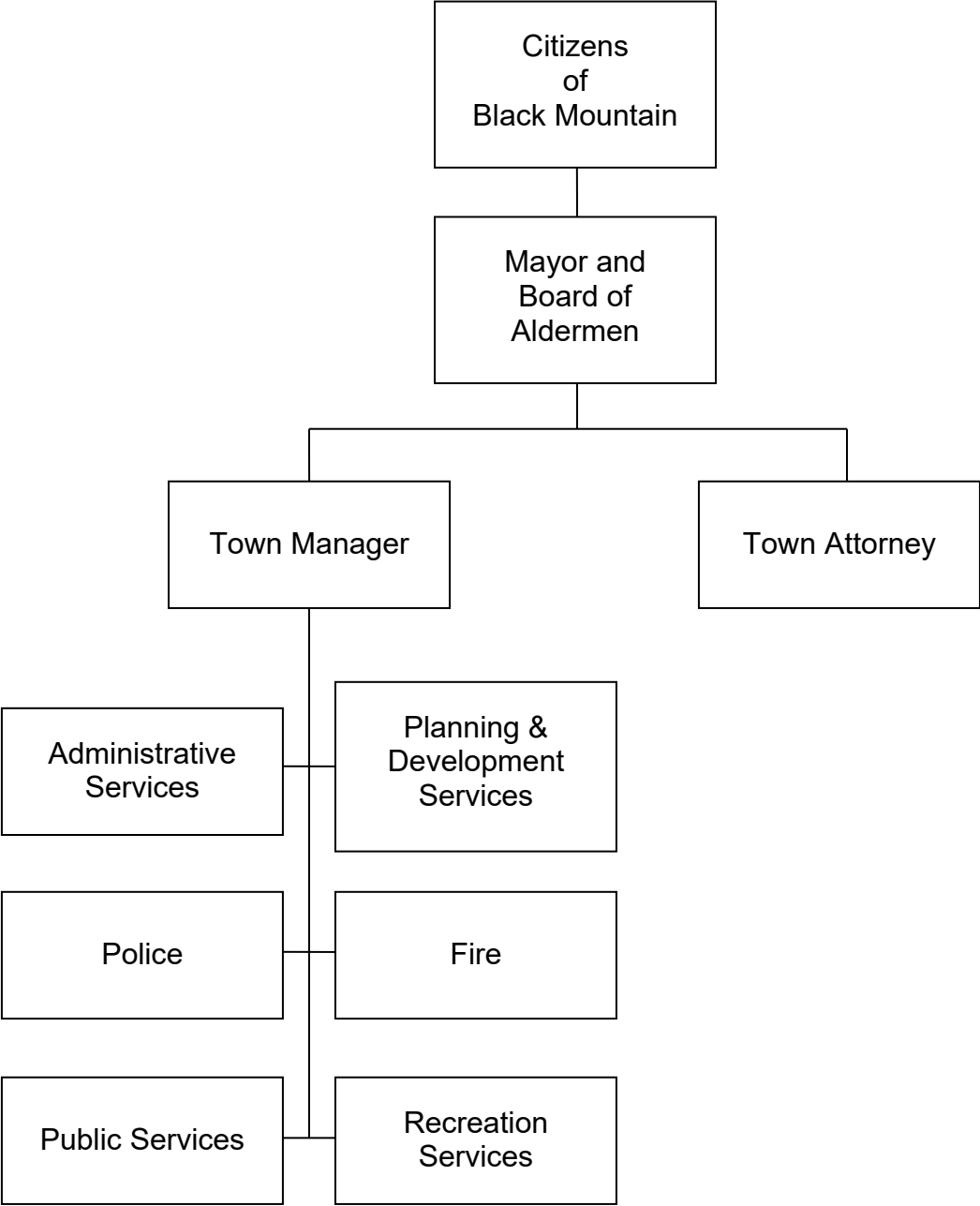
MAYOR AND BOARD OF ALDERMEN

Larry Harris.....Mayor
Ryan Stone.....Vice Mayor/Member
Tim Raines.....Member
Pam King.....Member
Archie Pertiller, Jr.....Member
Doug Hay.....Member

TOWN OFFICIALS

Josh Harrold.....Town Manager
Savannah Parrish.....Assistant Town Manager
Vacant.....Finance Officer
Shawn Freeman.....Police Chief
Scottie Harris.....Fire Chief
Jamey Matthews.....Director of Public Services
Josh Henderson.....Director of Recreation Services
Jessica Trotman.....Director of Planning and Development

**TOWN OF BLACK MOUNTAIN
ORGANIZATIONAL CHART
JUNE 30, 2020**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Black Mountain
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of Board of Aldermen
Town of Black Mountain, North Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Black Mountain, North Carolina** (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Black Mountain ABC Board (the "ABC Board"), which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Black Mountain, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, the Schedule of Changes in Total Pension Liability - LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - LEOSSA, the Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) - LGERS, the Schedule of the Town's Contributions - LGERS, Schedule of the Town's Proportionate Share of Net OPEB Liability - RHBF, and the Schedule of the Town's Contributions - RHBF on pages 4-11, 60, 61, 62, 63, 64, and 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
February 16, 2021

Management's Discussion and Analysis

As management of the Town of Black Mountain (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

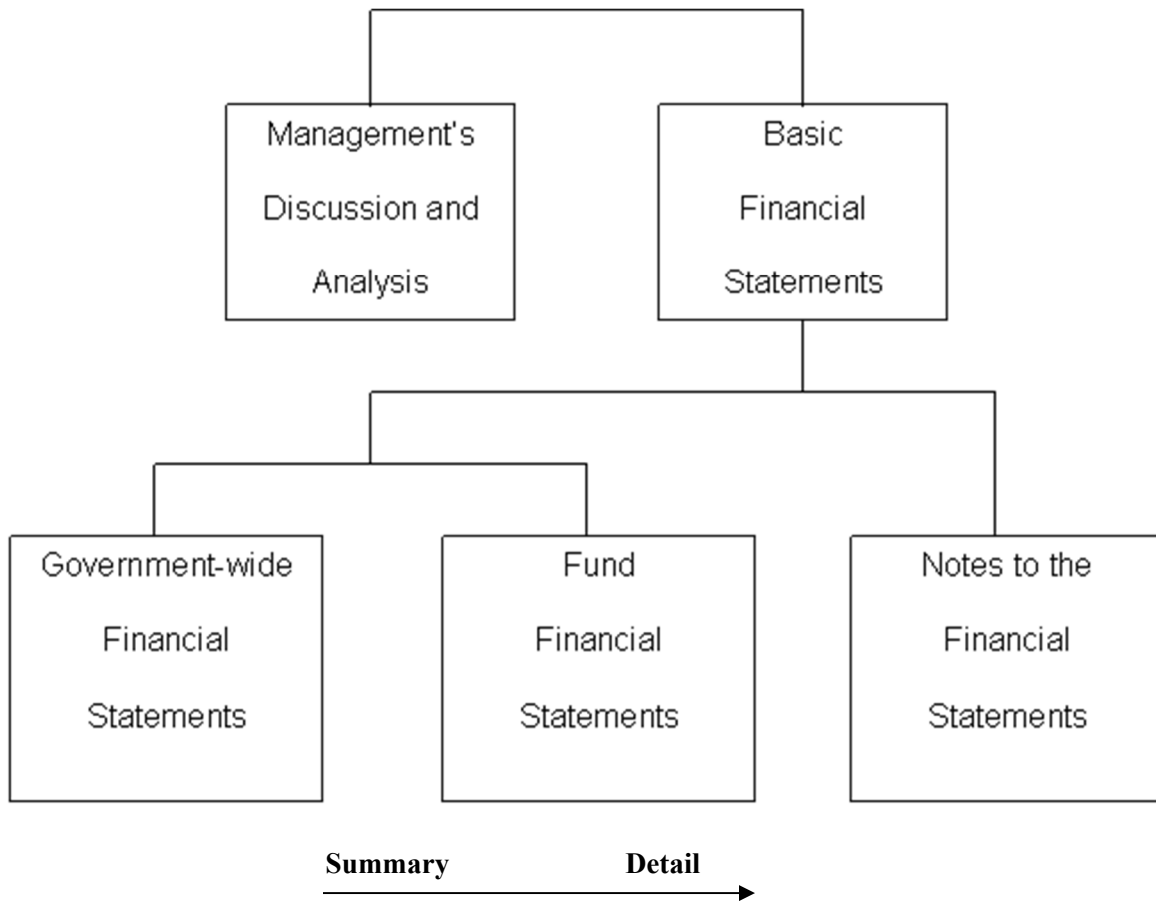
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year by \$15,848,150 (*net position*).
- The government's total net position increased by \$2,252,866. Major revenues (property, sales and franchise taxes) remain strong and the Town received \$1,631,773 in grants during the fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,387,774, an increase of \$1,487,724 in comparison with the prior year. Approximately 27% of this total amount, or \$1,733,063 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,379,370 or 38.7% of total general fund expenditures for the fiscal year. This compares with \$2,778,006 or 32.1% at the end of fiscal year 2019, an increase of \$601,364.
- During the fiscal year, total long-term debt, excluding compensated absences, pensions, and OPEB, decreased from \$4,099,047 to \$3,632,064. During the fiscal year, the Town entered into an installment note in the amount of \$43,270 for the acquisition of new land for the Town.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town and operation of a municipal golf course. The final category is the component unit. Although legally separate from the Town, the Black Mountain Board of Alcoholic Beverage Control (the "ABC Board") is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 12 and 13 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town can be divided into three categories: governmental funds, proprietary funds, and a fiduciary fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its general fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary comparison statement provided for the general fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise funds to account for its water system operations and for its golf course operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has one fiduciary fund, which is an agency fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 - 59 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found on pages 60 - 66 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-wide Financial Analysis
The Town of Black Mountain's Net Position
Figure 2

	June 30, 2020		June 30, 2019		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2020	June 30, 2019
Assets:						
Current assets	\$ 7,157,649	\$ 1,215,148	\$ 5,547,729	\$ 1,783,301	\$ 8,372,797	\$ 7,331,030
Capital assets, net	15,022,358	7,519,452	13,860,830	7,624,966	22,541,810	21,485,796
Total assets	22,180,007	8,734,600	19,408,559	9,408,267	30,914,607	28,816,826
Deferred outflows of resources	2,252,423	312,980	2,027,532	268,378	2,565,403	2,295,910
Liabilities:						
Current liabilities	645,791	300,361	534,214	264,267	946,152	798,481
Long-term liabilities	10,613,837	3,030,348	9,981,627	3,007,938	13,644,185	12,989,565
Total liabilities	11,259,628	3,330,709	10,515,841	3,272,205	14,590,337	13,788,046
Deferred inflows of resources	2,616,126	425,397	3,252,804	476,602	3,041,523	3,729,406
Net position:						
Net investment in capital						
assets	13,163,915	5,745,831	11,718,680	5,668,069	18,909,746	17,386,749
Restricted	1,821,570	-	1,381,594	-	1,821,570	1,381,594
Unrestricted	(4,428,809)	(454,357)	(5,432,828)	259,769	(4,883,166)	(5,173,059)
Total net position	\$ 10,556,676	\$ 5,291,474	\$ 7,667,446	\$ 5,927,838	\$ 15,848,150	\$ 13,595,284

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$15,848,150 as of June 30, 2020. The Town's net position *increased* by \$2,252,866 for the fiscal year ended June 30, 2020. However, the largest portion of net position, \$18,909,746 reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,821,570 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$4,883,166) is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted net position:

- The Town continues to maintain a high property tax collection percentage. The Town's collection percentage, excluding motor vehicle taxes, for fiscal year 2020, was 99.20%, which is higher than the statewide average of 99.07%.
- Local option sales taxes increased by \$24,859 from the prior year. Buncombe County continues to be the economic driver of Western North Carolina.
- Grants revenues included \$888,838 from the Commerce Park Infrastructure Capital Project Fund, \$220,718 from the Riverwalk Greenway Capital Project Fund, and several smaller grants related to the Planning and Police departments.

Town of Black Mountain Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,694,806	\$ 1,667,405	\$ 1,973,457	\$ 1,875,136	\$ 3,668,263	\$ 3,542,541
Operating grants & cont.	155,394	100,706	-	-	155,394	100,706
Capital grants & cont.	1,476,379	1,465,264	-	30,100	1,476,379	1,495,364
General revenues:						
Property taxes	4,176,874	4,074,012	-	-	4,176,874	4,074,012
Sales taxes	1,698,215	1,637,327	-	-	1,698,215	1,637,327
Other taxes	7,974	44,003	-	-	7,974	44,003
Unrestricted interest	68,846	91,364	22,622	34,010	91,468	125,374
Unrestricted intergovernmental	882,376	844,345	-	-	882,376	844,345
Miscellaneous	643,474	149,845	12,453	1,870	655,927	151,715
Total revenues	10,804,338	10,074,271	2,008,532	1,941,116	12,812,870	12,015,387
Expenses:						
General government	1,371,115	1,114,182	-	-	1,371,115	1,114,182
Public safety	4,360,322	3,949,196	-	-	4,360,322	3,949,196
Transportation	1,216,069	1,095,937	-	-	1,216,069	1,095,937
Environmental protection	862,488	890,934	-	-	862,488	890,934
Culture and recreation	679,414	765,911	-	-	679,414	765,911
Economic development	-	-	-	-	-	-
Interest on long-term debt	52,493	66,392	-	-	52,493	66,392
Water	-	-	1,414,080	1,321,979	1,414,080	1,321,979
Golf Course	-	-	604,023	631,431	604,023	631,431
Total expenses	8,541,901	7,882,552	2,018,103	1,953,410	10,560,004	9,835,962
Increase in net position before transfers	2,262,437	2,191,719	(9,571)	(12,294)	2,252,866	2,179,425
Transfers	626,793	(125,000)	(626,793)	125,000	-	-
Change in net position	2,889,230	2,066,719	(636,364)	112,706	2,252,866	2,179,425
Net position, beginning	7,667,446	5,515,964	5,927,838	5,815,132	13,595,284	11,331,096
Restatements	-	84,763	-	-	-	84,763
Net position, ending	\$ 10,556,676	\$ 7,667,446	\$ 5,291,474	\$ 5,927,838	\$ 15,848,150	\$ 13,595,284

Governmental activities. Governmental activities increased the Town's net position by \$2,889,230. Key elements of this change are as follows:

- Capital Grants and Contributions increased by \$1,476,379 from fiscal year 2019 amounts, primarily related to \$888,838 of grant revenues for the commerce park infrastructure improvements.
- Property taxes increased by \$87,149 from fiscal 2019 amounts, driven by a 2% increase in the assessed properties.
- Investment earnings decreased by \$22,518 from fiscal year 2019 amounts.

Business-type activities: Business-type activities decreased the Town's net position by \$493,703. Key elements of this increase are as follows:

- The Water Fund reported operating income of \$157,025 in fiscal year 2020. The Town continues to look for cost efficiencies in delivering water to its customers.
- The Golf Course Fund reported an operating loss of (\$134,536) in fiscal year 2020. The Golf Course Fund received a \$21,875 transfer from the General Fund to cover a cash deficit.

Financial Analysis of the Town of Black Mountain's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance in the general fund was \$3,379,370, while total fund balance was \$5,509,719. As a measure of the general fund's liquidity, it may be useful to compare available fund balance to the fund's expenditures. The Town currently has unassigned fund balance of 38.7% of general fund expenditures, while total fund balance represents 63.2% of that same amount. In the current year, fund balance of the General Fund increased \$898,930. Main drivers of the increase in fund balance were (1) significant proceeds from the sale of a parcel of Town land and (2) wise spending practices by the Town's departments to control costs.

The commerce park infrastructure improvement fund is a major fund used to account for the project costs and grant funding associated with infrastructure improvements at Commerce Park. The fund is a new fund and had expenditures in excess of revenues, resulting in a deficit fund balance of (\$63,871). The deficit will be offset with unavailable grant revenues to be recognized in future periods.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$6,387,774, a 30.4% increase from the previous year. As noted earlier, this increase is primarily due to capital project grant revenues and the sale of town property.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

The difference between the budgeted and actual amounts is attributed in part to the following:

- Ad Valorem tax revenues were \$33,880 less than the budgeted amounts.
- Local option sales taxes were \$63,311 less than budgeted amounts.
- Investment earnings were \$21,254 less than budgeted amounts.
- Permits and fees revenues exceeded budgeted amounts by \$10,565.
- Many departments contributed to actual expenses being less than budgeted expenditures by continuing wise spending practices. The largest budget savings were in the Public Safety, Streets and Planning Departments.

Actual total operating revenues for the General Fund were \$73,233 less than budgeted amounts. Actual expenditures were \$619,413 lower than budgeted amounts.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$182,725. Revenues were \$493,703 less than expenses. Unrestricted net position of the Golf Course Fund at the end of the fiscal year amounted to a deficit of \$637,082. The Golf Course Fund reported a loss before transfers of \$134,536 for the fiscal year ending June 30, 2020. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$22,541,810 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and water facilities and infrastructure.

Major capital asset transactions during the year include the following:

- Three vehicles at a cost of \$119,223
- Building and land improvements at a cost of \$269,221
- Water system infrastructure improvements at a cost of \$127,005
- IT and other equipment purchases of \$68,405

Town of Black Mountain's Capital Assets (Net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,991,923	\$ 3,950,062	\$ 946,775	\$ 946,775	\$ 4,938,698	\$ 4,896,837
Construction in progress	2,981,182	1,558,208	-	-	2,981,182	1,558,208
Buildings	4,015,282	4,255,326	900,296	903,841	4,915,578	5,159,167
Other improvements	2,340,199	2,295,166	2,335,671	2,431,285	4,675,870	4,726,451
Distribution system	-	-	2,872,132	2,888,103	2,872,132	2,888,103
Furniture & fixtures	16,177	19,974	1,359	2,068	17,536	22,042
Equipment	595,200	676,793	362,614	330,368	957,814	1,007,161
Vehicles	1,082,395	1,105,301	100,605	122,526	1,183,000	1,227,827
Total	<u>\$ 15,022,358</u>	<u>\$ 13,860,830</u>	<u>\$ 7,519,452</u>	<u>\$ 7,624,966</u>	<u>\$ 22,541,810</u>	<u>\$ 21,485,796</u>

Additional information on the Town's capital assets can be found in Note 6 of the financial statements.

Long-term Debt. As of June 30, 2020, the Town had total federal revolving loan debt of \$630,160 and \$3,001,904 of installment debt. The revolving loan debt is backed by the full faith and credit of the Town. The installment debt is backed by security interest in the property for which it was issued. The Town's total debt decreased from \$4,099,047 in fiscal year 2019 to \$3,632,064 at the end of fiscal year 2020. Payments made on debt principal during fiscal year 2020 totaled \$466,983.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is approximately \$89,974,000.

Additional information regarding the Town's long-term debt can be found in Note 7 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability of the Town:

- Low unemployment. The Town rate of 3.4% is below the statewide level of 7.5%.
- The Town tax rate was unchanged at 33.25 cents per \$100 of valuation. This represents the ninth consecutive year that the tax rate has been unchanged or below the "revenue neutral" rate.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Government Activities

Property taxes are expected to grow by 5.77% from fiscal year 2019 budgeted levels, and are budgeted to account for 45% of General Fund revenues. Sales tax revenues are budgeted to grow by 4.52% from FY19 budgeted levels, and account for 19% of General Fund revenues. As in prior years, the Town's budget development was guided by the following principles: (1) preserving current Town assets; (2) investing in the Town's future; and (3) minimizing rate impacts on citizens and customers.

Original budgeted expenditures in the General Fund were expected to increase 4.49% to \$9,288,007 over the fiscal year 2019 original budget. The Town appropriated \$105,517 of fund balance to balance the General Fund in fiscal year 2020 budget. The bulk of this increase involves personnel, including a 3% cost of living adjustment. Similar to most local governments, salaries and benefits (52.1%) make up the largest portion of expenditures.

Business Activities

Original budgeted expenditures in the Water Fund were expected to decrease 1.76% to \$1,689,122 as compared to the fiscal year 2019 original budget. The Town appropriated \$133,122 of fund balance to balance the Water Fund in the fiscal year 2020 budget. The Golf Course Fund budget increased 2.95% from fiscal year 2019 levels.

- Town water rates were raised by 5% to cover the increased costs of operations.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Josh Harrold, Town Manager, Town, 160 Midland Avenue, Black Mountain, NC 28711. Requests may also be made by telephone at (828) 419-9311, or by e-mail at josh.harrold@townofblackmountain.org.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
ASSETS				
Cash and cash equivalents	\$ 5,131,386	\$ 829,077	\$ 5,960,463	\$ 617,588
Investments	108,937	-	108,937	-
Receivables, net of allowance for uncollectibles	-	215,246	215,246	-
Intergovernmental receivables	889,499	-	889,499	-
Taxes receivable	23,186	-	23,186	-
Internal balances	77,649	(77,649)	-	-
Inventories	9,566	74,320	83,886	296,830
Prepaid items	8,206	-	8,206	5,545
Restricted cash and cash equivalents	909,220	174,154	1,083,374	-
Capital assets:				
Non-depreciable	6,973,105	946,775	7,919,880	-
Depreciable, net of accumulated depreciation	8,049,253	6,572,677	14,621,930	709,635
Total assets	22,180,007	8,734,600	30,914,607	1,629,598
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension items	995,106	109,523	1,104,629	36,821
Deferred outflows - OPEB items	1,257,317	203,457	1,460,774	-
Total deferred outflows of resources	2,252,423	312,980	2,565,403	36,821
LIABILITIES				
Accounts payable	383,243	81,451	464,694	9,076
Accrued liabilities	99,624	11,948	111,572	278,624
Customer deposits	162,924	174,154	337,078	-
Unearned revenues	-	32,808	32,808	-
Interest payable	26,741	11,484	38,225	-
Installment notes, due within one year	335,898	127,077	462,975	-
Installment notes, due in more than one year	1,522,545	1,016,384	2,538,929	-
Revolving loans payable, due within one year	-	58,144	58,144	-
Revolving loans payable, due in more than one year	-	572,016	572,016	-
Compensated absences, due within one year	161,574	35,480	197,054	3,770
Compensated absences, due in more than one year	193,659	6,614	200,273	-
Total pension liability (LEOSSA), due in more than one year	806,047	-	806,047	-
Net pension liability (LGERs), due in more than one year	1,409,109	187,389	1,596,498	57,349
Net OPEB liability, due in more than one year	6,158,264	1,015,760	7,174,024	-
Total liabilities	11,259,628	3,330,709	14,590,337	348,819
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension items	108,947	11,857	120,804	5,358
Deferred inflows - OPEB items	2,507,179	413,540	2,920,719	-
Total deferred inflows of resources	2,616,126	425,397	3,041,523	5,358
NET POSITION				
Net investment in capital assets	13,163,915	5,745,831	18,909,746	709,635
Restricted for:				
Stabilization by State Statute	894,880	-	894,880	98,307
Streets - Powell Bill	365,081	-	365,081	-
Public safety programs	109,495	-	109,495	-
Capital projects	452,114	-	452,114	-
Unrestricted	(4,428,809)	(454,357)	(4,883,166)	504,300
Total net position	\$ 10,556,676	\$ 5,291,474	\$ 15,848,150	\$ 1,312,242

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
Governmental activities:								
General government	\$ 1,371,115	\$ 359,609	\$ 154,978	\$ 3,706	\$ (852,822)	\$ -	\$ (852,822)	\$ -
Public safety	4,360,322	1,256,060	416	-	(3,103,846)	-	(3,103,846)	-
Transportation	1,216,069	-	-	265,138	(950,931)	-	(950,931)	-
Environmental protection	862,488	-	-	308,230	(554,258)	-	(554,258)	-
Culture and recreation	679,414	79,137	-	899,305	299,028	-	299,028	-
Interest on long-term debt	52,493	-	-	-	(52,493)	-	(52,493)	-
Total governmental activities	8,541,901	1,694,806	155,394	1,476,379	(5,215,322)	-	(5,215,322)	-
Business-type activities:								
Water	1,414,080	1,503,970	-	-	-	89,890	89,890	-
Golf Course	604,023	469,487	-	-	-	(134,536)	(134,536)	-
Total business-type activities	2,018,103	1,973,457	-	-	-	(44,646)	(44,646)	-
Total primary government	\$ 10,560,004	\$ 3,668,263	\$ 155,394	\$ 1,476,379	(5,215,322)	(44,646)	(5,259,968)	-
Component unit:								
Black Mountain ABC Board	\$ 2,328,911	\$ 2,555,985	\$ -	\$ -	-	-	-	227,074
Total component unit	\$ 2,328,911	\$ 2,555,985	\$ -	\$ -	-	-	-	227,074
General revenues:								
Property taxes, levied for general purposes					4,176,874	-	4,176,874	-
Sales tax					1,698,215	-	1,698,215	-
Unrestricted intergovernmental					882,376	-	882,376	-
Other taxes					7,974	-	7,974	-
Unrestricted investment earnings					68,846	22,622	91,468	701
Miscellaneous					194,022	1,551	195,573	-
Gain on disposal of capital assets					449,452	10,902	460,354	-
Transfers					626,793	(626,793)	-	-
Total general revenues and transfers					8,104,552	(591,718)	7,512,834	701
Change in net position					2,889,230	(636,364)	2,252,866	227,775
Net position, beginning of year					7,667,446	5,927,838	13,595,284	1,084,467
Net position, end of year					\$ 10,556,676	\$ 5,291,474	\$ 15,848,150	\$ 1,312,242

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General	Commerce Park	Other	Total
	Fund	Infrastructure	Governmental	Governmental
ASSETS		Improvement Fund	Funds	Funds
Cash	\$ 4,413,290	\$ 79,780	\$ 638,316	\$ 5,131,386
Investments	108,937	-	-	108,937
Taxes receivable, net	23,186	-	-	23,186
Intergovernmental receivable	782,657	106,842	-	889,499
Due from other funds	106,279	-	-	106,279
Restricted cash and cash equivalents	457,106	-	452,114	909,220
Inventories	9,566	-	-	9,566
Prepaid items	8,206	-	-	8,206
Total assets	\$ 5,909,227	\$ 186,622	\$ 1,090,430	\$ 7,186,279
LIABILITIES				
Accounts payable	\$ 196,229	\$ 67,140	\$ 119,874	\$ 383,243
Deposits payable	162,924	-	-	162,924
Due to other funds	-	-	28,630	28,630
Accrued liabilities	23,113	76,511	-	99,624
Total liabilities	382,266	143,651	148,504	674,421
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	14,202	-	-	14,202
Unavailable revenue - fees	3,040	-	-	3,040
Unavailable revenue - intergovernmental	-	106,842	-	106,842
Total deferred inflows of resources	17,242	106,842	-	124,084
FUND BALANCES				
Nonspendable:				
Prepaid items	8,206	-	-	8,206
Inventories	9,566	-	-	9,566
Restricted:				
Stabilization by State Statute	894,880	-	-	894,880
Public safety	109,495	-	-	109,495
Powell Bill projects	365,081	-	-	365,081
Capital projects	-	-	452,114	452,114
Assigned for:				
Capital projects	535,000	-	583,088	1,118,088
Public safety programs	7,356	-	-	7,356
Public safety retirees	200,765	-	-	200,765
Unassigned	3,379,370	(63,871)	(93,276)	3,222,223
Total fund balances	5,509,719	(63,871)	941,926	6,387,774
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,909,227	\$ 186,622	\$ 1,090,430	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	15,022,358
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources for unavailable revenue in the funds.	124,084
The net pension liability for LGERS is not expected to be liquidated with expendable financial resources and therefore, is not reported in the governmental funds.	(1,409,109)
The total pension liability for the LEOSA is also not expected to be liquidated with expendable financial resources and thus is also not reported in the governmental funds.	(806,047)
The net OPEB liability is also not expected to be liquidated with expendable financial resources and therefore, is also not reported in the governmental funds.	(6,158,264)
Deferred outflows and inflows of resources related to pensions and OPEB which are not current financial resources are not reported in the governmental funds.	(363,703)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,240,417)
Net position of governmental activities	\$ 10,556,676

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Commerce Park Infrastructure Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 4,165,120	\$ -	\$ -	\$ 4,165,120
Other taxes	1,706,189	-	-	1,706,189
Unrestricted intergovernmental	882,376	-	-	882,376
Restricted intergovernmental	388,611	578,763	415,044	1,382,418
Permits and fees	293,865	-	249,355	543,220
Sales and services	1,402,076	-	-	1,402,076
Investment earnings	68,846	-	-	68,846
Miscellaneous	99,084	94,938	-	194,022
Total revenues	<u>9,006,167</u>	<u>673,701</u>	<u>664,399</u>	<u>10,344,267</u>
Expenditures				
Current:				
General government	1,450,364	-	-	1,450,364
Public safety	4,243,271	-	-	4,243,271
Transportation	1,297,159	-	-	1,297,159
Environmental protection	755,557	-	-	755,557
Culture and recreation	593,263	-	-	593,263
Capital outlay	-	672,298	695,566	1,367,864
Debt service:				
Principal retirements	326,977	-	-	326,977
Interest	55,814	-	-	55,814
Total expenditures	<u>8,722,405</u>	<u>672,298</u>	<u>695,566</u>	<u>10,090,269</u>
Excess (deficiency) of revenues over expenditures	<u>283,762</u>	<u>1,403</u>	<u>(31,167)</u>	<u>253,998</u>
Other financing sources (uses)				
Transfers in	157,110	41,578	577,000	775,688
Transfers out	(148,875)	-	(20)	(148,895)
Proceeds from sale of capital assets	563,663	-	-	563,663
Issuance of installment note	43,270	-	-	43,270
Total other financing sources	<u>615,168</u>	<u>41,578</u>	<u>576,980</u>	<u>1,233,726</u>
Net change in fund balances	898,930	42,981	545,813	1,487,724
Fund balances, beginning of year	<u>4,610,789</u>	<u>(106,852)</u>	<u>396,113</u>	<u>4,900,050</u>
Fund balances, end of year	<u>\$ 5,509,719</u>	<u>\$ (63,871)</u>	<u>\$ 941,926</u>	<u>\$ 6,387,774</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,487,724
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,275,739
Governmental funds report the proceeds from sales and disposals of capital assets whereas the statement of activities reports the gain or loss resulting from the transaction. Therefore, the change in fund balances will differ from the change in net position by the net book value of the capital assets sold.	(114,211)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,619
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the repayments of the principal of long-term debt.	283,707
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(54,348)
Change in net position - governmental activities	<u>\$ 2,889,230</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget
				Positive (Negative)
Revenues				
Ad valorem taxes	\$ 4,199,000	\$ 4,199,000	\$ 4,165,120	\$ (33,880)
Other taxes	1,769,500	1,769,500	1,706,189	(63,311)
Unrestricted intergovernmental	822,500	822,500	882,376	59,876
Restricted intergovernmental	271,000	325,000	388,611	63,611
Permits and fees	283,300	283,300	293,865	10,565
Sales and services	1,495,750	1,495,750	1,402,076	(93,674)
Investment earnings	90,100	90,100	68,846	(21,254)
Miscellaneous	86,250	94,250	99,084	4,834
Total revenues	9,017,400	9,079,400	9,006,167	(73,233)
Expenditures				
Current:				
General government	1,360,606	1,521,242	1,450,364	70,878
Public safety	4,361,282	4,459,657	4,243,271	216,386
Transportation	1,424,228	1,479,028	1,297,159	181,869
Environmental protection	796,200	796,200	755,557	40,643
Culture and recreation	762,900	702,900	593,263	109,637
Debt service:				
Principal retirements	327,415	327,415	326,977	438
Interest	55,376	55,376	55,814	(438)
Total expenditures	9,088,007	9,341,818	8,722,405	619,413
Excess (deficiency) of revenues over expenditures	(70,607)	(262,418)	283,762	546,180
Other financing sources (uses)				
Fund balance appropriation	105,517	435,933	-	(435,933)
Transfers in	157,090	157,090	157,110	20
Transfers out	(200,000)	(381,875)	(288,875)	93,000
Proceeds from sale of capital assets	8,000	8,000	563,663	555,663
Issuance of installment note	-	43,270	43,270	-
Total other financing sources	70,607	262,418	475,168	212,750
Net change in fund balances	-	-	758,930	758,930
Fund balances, beginning of year	4,610,789	4,610,789	4,610,789	-
Fund balances, end of year	\$ 4,610,789	\$ 4,610,789	5,369,719	\$ 758,930
Net change in fund balance from consolidated funds:				
Capital Reserve Fund:			140,000	
			\$ 5,509,719	

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

	Water Fund	Golf Course Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 829,077	\$ -	\$ 829,077
Restricted cash	174,154	-	174,154
Accounts receivable, net of allowances	214,246	1,000	215,246
Inventories	71,403	2,917	74,320
Total current assets	1,288,880	3,917	1,292,797
CAPITAL ASSETS			
Nondepreciable	640,645	306,130	946,775
Depreciable, net of accumulated depreciation	6,169,086	403,591	6,572,677
Total capital assets	6,809,731	709,721	7,519,452
Total assets	8,098,611	713,638	8,812,249
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	69,843	39,680	109,523
OPEB items	130,418	73,039	203,457
Total deferred outflows of resources	200,261	112,719	312,980
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	45,355	36,096	81,451
Accrued liabilities	18,130	5,302	23,432
Due to other funds	-	77,649	77,649
Customer deposits	174,154	-	174,154
Unearned memberships	-	32,808	32,808
Installment contracts, current	127,077	-	127,077
Revolving loans payable, current	58,144	-	58,144
Compensated absences payable, current	22,673	12,807	35,480
Total current liabilities	445,533	164,662	610,195
NONCURRENT LIABILITIES			
Installments contracts	1,016,384	-	1,016,384
Revolving loans payable	572,016	-	572,016
Compensated absences payable	3,267	3,347	6,614
Net pension liability	119,108	68,281	187,389
Net OPEB liability	651,110	364,650	1,015,760
Total noncurrent liabilities	2,361,885	436,278	2,798,163
Total liabilities	2,807,418	600,940	3,408,358
DEFERRED INFLOWS OF RESOURCES			
Pension items	7,537	4,320	11,857
OPEB items	265,082	148,458	413,540
Total deferred inflows of resources	272,619	152,778	425,397
NET POSITION			
Net investment in capital assets	5,036,110	709,721	5,745,831
Unrestricted	182,725	(637,082)	(454,357)
Total net position	\$ 5,218,835	\$ 72,639	\$ 5,291,474

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Water Fund	Golf Course Fund	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 1,362,562	\$ 466,349	\$ 1,828,911
Other operating income	141,408	3,138	144,546
	<hr/>	<hr/>	<hr/>
Total operating revenues	1,503,970	469,487	1,973,457
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Salaries and benefits	523,085	360,869	883,954
General operating expenses	524,278	226,508	750,786
Depreciation	299,582	16,646	316,228
Total operating expenses	1,346,945	604,023	1,950,968
	<hr/>	<hr/>	<hr/>
Operating income (loss)	157,025	(134,536)	22,489
	<hr/>	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous other revenues	1,551	-	1,551
Interest income	22,622	-	22,622
Gain on sale of capital assets	10,902	-	10,902
Interest and fiscal charges	(67,135)	-	(67,135)
Total non-operating revenue (expenses)	(32,060)	-	(32,060)
	<hr/>	<hr/>	<hr/>
Income (loss) before transfers	124,965	(134,536)	(9,571)
	<hr/>	<hr/>	<hr/>
Transfers in	-	21,875	21,875
Transfers out	(618,668)	(30,000)	(648,668)
Total transfers	(618,668)	(8,125)	(626,793)
	<hr/>	<hr/>	<hr/>
Change in net position	(493,703)	(142,661)	(636,364)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year	5,712,538	215,300	5,927,838
	<hr/>	<hr/>	<hr/>
Net position, end of year	\$ 5,218,835	\$ 72,639	\$ 5,291,474
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Water Fund	Golf Course Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,516,946	\$ 466,007	\$ 1,982,953
Payments to suppliers	(551,318)	(114,481)	(665,799)
Payments to employees	(436,242)	(331,016)	(767,258)
Net cash provided by operating activities	529,386	20,510	549,896
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(618,668)	(8,125)	(626,793)
Repayment of interfund loans from other funds	377,542	-	377,542
Other receipts	1,551	-	1,551
Net cash used in non-capital financing activities	(239,575)	(8,125)	(247,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(188,842)	(21,872)	(210,714)
Principal payments on installment loans	(125,131)	-	(125,131)
Principal payments on notes payable	(58,145)	-	(58,145)
Proceeds from sale of capital assets	10,902	-	10,902
Connection fees	-	-	-
Interest paid	(67,135)	-	(67,135)
Net cash used in capital and related financing activities	(428,351)	(21,872)	(450,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	22,622	-	22,622
Net cash provided by investing activities	22,622	-	22,622
Net decrease in cash and cash equivalents	(115,918)	(9,487)	(125,405)
Cash and cash equivalents, beginning of year	1,119,149	9,487	1,128,636
Cash and cash equivalents, end of year	\$ 1,003,231	\$ -	\$ 1,003,231
CASH AND CASH EQUIVALENTS AS REPORTED ON STATEMENT OF NET POSITION			
Cash and cash equivalents	\$ 829,077	\$ -	\$ 829,077
Restricted cash	174,154	-	174,154
Total cash and cash equivalents	\$ 1,003,231	\$ -	\$ 1,003,231

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Water Fund	Golf Course Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 157,025	\$ (134,536)	\$ 22,489
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	299,582	16,646	316,228
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Increase in accounts receivable	(3,133)	(1,000)	(4,133)
(Increase) decrease in inventories	(12,136)	3,826	(8,310)
Increase in deferred outflows of resources	(29,675)	(14,927)	(44,602)
Increase (decrease) in accounts payable	(14,904)	30,552	15,648
Increase in accrued liabilities	3,982	2,835	6,817
Increase in due to other funds	-	77,649	77,649
Increase (decrease) in customer deposits	16,109	(2,480)	13,629
Increase (decrease) in compensated absences payable	1,035	(9,858)	(8,823)
Decrease in deferred inflows of resources	(30,318)	(20,887)	(51,205)
Increase in net pension liability	428	246	674
Increase in net OPEB liability	141,391	72,444	213,835
Net cash provided by operating activities	<u>\$ 529,386</u>	<u>\$ 20,510</u>	<u>\$ 549,896</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 101,432
Accounts receivable	180,701
Total assets	<u>\$ 282,133</u>
LIABILITIES	
Due to Metropolitan Sewerage District	\$ 282,133
Total liabilities	<u>\$ 282,133</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Black Mountain, North Carolina (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

A. Reporting Entity

Incorporated in 1893, under the laws of the State of North Carolina, the Town of Black Mountain, North Carolina is governed by an elected mayor and a five-member board of aldermen. The government provides such services as police protection, cultural and recreational activities, transportation, water services, and operates a municipal golf course.

Town of Black Mountain ABC Board

The members of the Town of Black Mountain ABC Board’s (the “ABC Board”) governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at Town of Black Mountain ABC Board, Highway 9, Black Mountain, NC 28711.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Commerce Park Infrastructure Improvement Fund** accounts for state and local grants used to fund the infrastructure improvements for the economic development of Commerce Park.

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the operation, maintenance and development of the Town's water system and services.

The **Golf Course Fund** accounts for the operation and maintenance of the Town's municipal golf course.

Additionally, the Town reports the following fund types:

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition and construction of major capital projects.

The **Agency Fund** is custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Metropolitan Sewerage District Fund, which accounts for sewer fees billed on behalf of the Metropolitan Sewerage District.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which did not conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the five capital project funds for which project length budgets were adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as another financing source for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund and the enterprise funds. During the fiscal year ended June 30, 2020, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value, while non-participating interest earning contracts (including certificates of deposit) are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and securities are valued at fair value.

F. Restricted cash and cash equivalents

The Town has restricted cash and cash equivalents related to the Powell Bill because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The General Fund also reports restricted cash for the portion of forfeited assets restricted for use in public safety functions. The Town also reports restricted cash accounts for the portion of restricted grant funding which was received, but has not been expended as of the end of the year.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowances

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

J. Inventories and Prepaid Items

The Town’s inventories and prepaid items are accounted for using the consumption method. An asset for the inventory or prepaid item is recorded at the time of purchase and an expenditure / expense is recorded in the year in which the items are consumed.

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items in both government-wide and fund financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015, are recorded at estimated acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. In accordance with GASB 34, infrastructure assets acquired prior to July 1, 2003, have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Water distribution system	30 years
Building and land improvements	15 years
Furniture and fixtures	5-10 years
Vehicles	5-20 years
Equipment	3-10 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports several deferred outflows related to the pension plans and the OPEB plan, one type of deferred outflow of resources being recognized is a deferred outflow of resources for the Town's actual contributions to the respective plan during the fiscal year ended June 30, 2020, which was subsequent to the measurement date of the net pension liability and net OPEB liability. The deferred outflows will be applied to future measurement periods. The Town has four (4) other items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred outflows of resources for the: (1) difference between expected and actual experience of the pension plan and OPEB plan, (2) net difference between projected and actual investment earnings on the pension plan assets, (3) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (4) changes in pension plan assumptions. The net difference between projected and actual investment earnings on the pension plan assets are amortized over five (5) years, while the remaining deferred outflows of resources will be amortized over the remaining service period of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three (3) items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred inflows of resources for the: (1) difference between expected and actual experience of the pension and OPEB plans, (2) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (3) changes in OPEB and pension plan assumptions. The deferred inflows of resources will be amortized over the remaining service period of plan members. Additionally, the Town reports one (1) item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the sales of cemetery plots which are sold on payment plans and the receipts are not collected within the Town's revenue recognition window and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

M. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the Board of Aldermen. Approval of a resolution after a formal vote of the Board of Aldermen is required to establish a commitment of fund balance. Similarly, the Board of Aldermen may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Alderman, through Town Ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. The Town, by resolution, has created a minimum fund balance policy to be no less than 30% of the previous fiscal year's actual expenditures and outgoing transfers, in order to maintain adequate reserves to cover unforeseen revenue shortfalls and to maintain a budget stabilization commitment.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB Plans, and OPEB expense, information about the fiduciary net position of the State's Retiree Health Benefit Fund (RHBF) and additions to/deductions from RHBF's fiduciary net position have been determined on the same basis as they are reported by RHBF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,240,417 difference are as follows:

Installment notes	\$ (1,858,443)
Accrued interest payable	(26,741)
Compensated absences (i.e., vacation)	<u>(355,233)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (2,240,417)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,275,739 are as follows:

Capital outlay	\$ 1,858,420
Depreciation expense	<u>(582,681)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 1,275,739</u>

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the repayments of the principal of long-term debt.” The details of this \$283,707 difference are as follows:

Issuance of installment note	\$ (43,270)
Principal payments on long-term borrowings	<u>326,977</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 283,707</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$54,348 difference are as follows:

Compensated absences (i.e., vacation)	\$ 4,476
Change in accrued interest	3,321
Net pension liability - LGERS and related deferred outflows and inflows of resources	(299,092)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(42,683)
Net OPEB liability - and related deferred outflows and inflows of resources	<u>279,630</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (54,348)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance. The Commerce Park Infrastructure Improvement Fund is reporting a deficit fund balance of (\$63,871) as of June 30, 2020. This shortfall will be recouped in future years through the future recognition of accrued intergovernmental revenues which are considered unavailable as of June 30, 2020.

The Veteran’s Park Improvements Project Fund is reporting a deficit fund balance of (\$93,276) as of June 30, 2020. This shortfall will be recouped in future years through the combination of grant revenues from the North Carolina Parks and Recreation Trust Fund that have been awarded to the Town subsequent to year-end and general fund appropriations, as needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 5,960,463
Restricted cash and cash equivalents	1,083,374
Investments	108,937
Statement of Fiduciary Net Position - Cash and cash equivalents	101,432
	<u>\$ 7,254,206</u>
Cash deposited with financial institutions	\$ 350,270
Cash deposited with NCCMT	6,903,936
	<u>\$ 7,254,206</u>

Credit risk. State statutes and the Town's policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town's investments. The Town's investment in the NCCMT - Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NCCMT - Term Portfolio is unrated.

Fair value measurements. As of June 30, 2020, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>June 30, 2020 Balance</u>	<u>Duration</u>	<u>Rating</u>
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 2,518,453	N/A	AAAm
North Carolina Capital Management Trust - Term Portfolio	Fair Value Level 1	4,385,483	.15 years	Unrated
		<u>\$ 6,903,936</u>		
Certificate of deposit	Cost	108,937	12 months	Unrated
		<u>\$ 7,012,873</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair value measurements (continued). Level of fair value hierarchy: Level 1 securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

The Town's certificate of deposit is considered a nonparticipating interest earning investment contract and as such, is valued at cost.

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2020, the Town's deposits are insured or collateralized as required by state law.

NOTE 5. RECEIVABLES

Receivables at June 30, 2020, for the Town's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Commerce Park Infrastructure Improvements	Water
Receivables:			
Taxes	\$ 31,547	\$ -	\$ -
Intergovernmental	782,657	106,842	-
Accounts	-	-	294,690
Less allowance for uncollectibles	8,361	-	80,444
Net total receivables	<u>\$ 805,843</u>	<u>\$ 106,842</u>	<u>\$ 214,246</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 3,950,062	\$ 48,561	\$ (6,700)	\$ 3,991,923
Construction in progress	1,558,208	1,436,719	(13,745)	2,981,182
Total	<u>5,508,270</u>	<u>1,485,280</u>	<u>(20,445)</u>	<u>6,973,105</u>
Capital assets, being depreciated:				
Buildings	6,375,306	-	(180,900)	6,194,406
Land improvements	3,956,404	247,349	-	4,203,753
Furniture and fixtures	254,491	-	-	254,491
Equipment	1,574,126	6,568	-	1,580,694
Vehicles	3,571,011	119,223	(122,997)	3,567,237
Total	<u>15,731,338</u>	<u>373,140</u>	<u>(303,897)</u>	<u>15,800,581</u>
Less accumulated depreciation for:				
Buildings	(2,119,980)	(146,278)	87,134	(2,179,124)
Land improvements	(1,661,238)	(202,316)	-	(1,863,554)
Furniture and fixtures	(234,517)	(3,797)	-	(238,314)
Equipment	(897,333)	(88,161)	-	(985,494)
Vehicles	(2,465,710)	(142,129)	122,997	(2,484,842)
Total	<u>(7,378,778)</u>	<u>(582,681)</u>	<u>210,131</u>	<u>(7,751,328)</u>
Total capital assets being depreciated, net	<u>8,352,560</u>	<u>(209,541)</u>	<u>(93,766)</u>	<u>8,049,253</u>
Governmental activities capital assets, net	<u>\$ 13,860,830</u>	<u>\$ 1,275,739</u>	<u>\$ (114,211)</u>	<u>\$ 15,022,358</u>

Depreciation expense was charged to functions/programs of the Town's governmental activities as follows:

Governmental activities:	
General government	\$ 27,789
Public safety	196,745
Transportation	166,568
Environmental protection	106,931
Culture and recreation	84,648
Total depreciation expense - governmental activities	<u>\$ 582,681</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 640,645	\$ -	\$ -	\$ 640,645
Total	<u>640,645</u>	<u>-</u>	<u>-</u>	<u>640,645</u>
Capital assets, being depreciated:				
Land improvements	3,583,383	-	-	3,583,383
Water distribution system	6,254,233	127,005	-	6,381,238
Buildings	656,480	-	-	656,480
Equipment	489,951	61,837	-	551,788
Vehicles	290,864	-	(51,949)	238,915
Total	<u>11,274,911</u>	<u>188,842</u>	<u>(51,949)</u>	<u>11,411,804</u>
Less accumulated depreciation for:				
Land improvements	(1,185,782)	(93,341)	-	(1,279,123)
Water distribution system	(3,366,130)	(142,976)	-	(3,509,106)
Buildings	(21,459)	(16,379)	-	(37,838)
Equipment	(253,376)	(24,965)	-	(278,341)
Vehicles	(168,338)	(21,921)	51,949	(138,310)
Total	<u>(4,995,085)</u>	<u>(299,582)</u>	<u>51,949</u>	<u>(5,242,718)</u>
Total capital assets being depreciated, net	<u>6,279,826</u>	<u>(110,740)</u>	<u>-</u>	<u>6,169,086</u>
Water Fund capital assets, net	<u>\$ 6,920,471</u>	<u>\$ (110,740)</u>	<u>\$ -</u>	<u>\$ 6,809,731</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Fund:				
Capital assets not being depreciated:				
Land	\$ 306,130	\$ -	\$ -	\$ 306,130
Total	<u>306,130</u>	<u>-</u>	<u>-</u>	<u>306,130</u>
Capital assets, being depreciated:				
Land improvements	834,766	-	-	834,766
Buildings	484,523	21,872	-	506,395
Furniture and fixtures	18,172	-	-	18,172
Equipment	234,695	-	-	234,695
Vehicles and motorized equipment	295,927	-	-	295,927
Total	<u>1,868,083</u>	<u>21,872</u>	<u>-</u>	<u>1,889,955</u>
Less accumulated depreciation for:				
Land improvements	(801,082)	(2,273)	-	(803,355)
Buildings	(215,703)	(9,038)	-	(224,741)
Furniture and fixtures	(16,104)	(709)	-	(16,813)
Equipment	(140,902)	(4,626)	-	(145,528)
Vehicles and motorized equipment	(295,927)	-	-	(295,927)
Total	<u>(1,469,718)</u>	<u>(16,646)</u>	<u>-</u>	<u>(1,486,364)</u>
Total capital assets being depreciated, net	<u>398,365</u>	<u>5,226</u>	<u>-</u>	<u>403,591</u>
Golf Course Fund capital assets, net	<u>\$ 704,495</u>	<u>\$ 5,226</u>	<u>\$ -</u>	<u>\$ 709,721</u>

Depreciation expense was charged to functions/programs of the Town's business-type activities as follows:

Business-type activities	
Water	\$ 299,582
Golf Course	<u>16,646</u>
Total depreciation expense - business-type activities	<u>\$ 316,228</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowing	\$ 2,142,150	\$ 43,270	\$ (326,977)	\$ 1,858,443	\$ 335,898
Compensated absences	359,709	159,134	(163,610)	355,233	161,574
Net pension liability (LGERS)	1,298,134	642,619	(531,644)	1,409,109	-
Law enforcement officers' SSA total pension liability	725,721	133,614	(53,288)	806,047	-
Net OPEB liability	5,425,851	925,063	(192,650)	6,158,264	-
Governmental activity Long-term liabilities	<u>\$ 9,951,565</u>	<u>\$ 1,903,700</u>	<u>\$ (1,268,169)</u>	<u>\$ 10,587,096</u>	<u>\$ 497,472</u>
Business-type activities:					
Installment notes - direct borrowing	\$ 1,268,592	\$ -	\$ (125,131)	\$ 1,143,461	\$ 127,077
Revolving loans - direct borrowing	688,305	-	(58,145)	630,160	58,144
Net pension liability (LGERS)	186,715	85,906	(85,233)	187,388	-
Net OPEB liability	801,925	245,611	(31,776)	1,015,760	-
Compensated absences	50,917	33,567	(42,390)	42,094	35,480
Business-type activity Long-term liabilities	<u>\$ 2,996,454</u>	<u>\$ 365,084</u>	<u>\$ (342,675)</u>	<u>\$ 3,018,863</u>	<u>\$ 220,701</u>

For governmental funds, compensated absences, the net pension liability (LGERS), total pension liability (LEOSSA), and net OPEB liability are liquidated by the General Fund. For the business-type activities, the compensated absences, the net pension liability (LGERS) and net OPEB liability are liquidated by the Water Fund and Golf Course Fund.

Installment Notes

The Town has various direct borrowing installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The outstanding notes from direct borrowings include a provision that in an event of default, outstanding amounts become immediately due and payable if the Town is unable to make payments. The notes issued below are all secured by the underlying equipment or improvements acquired through the financing.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes (Continued)

	Balance as of June 30, 2020
<i>Governmental activities</i>	
A note issued for \$434,150 was issued in April, 2019 with annual payments of \$150,977, including interest, for acquisition of communication equipment for the police department. The note bears an interest rate of 4.39% and matures in 2022.	\$ 283,173
A note issued for \$2,100,000 was issued in June 2012 with annual payments of \$126,000, plus interest, for the acquisition and construction of the Town Hall. The note bears an interest rate of 3.07% and matures in 2027.	882,000
A note issued for \$43,270 was issued in November 2019 with annual payments of \$22,500, plus interest, for the acquisition new land for the Town. The note bears an interest rate of 3.65% and matures in 2022.	43,270
A note issued for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for the acquisition recreation equipment and community development projects. The note bears an interest rate of 3.49% and matures in 2033.	650,000
Total outstanding installment notes payable	<u>\$ 1,858,443</u>

The debt service to maturity on the installment notes for governmental activities is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2021	\$ 335,898	\$ 63,342	\$ 399,240
2022	342,545	51,080	393,625
2023	176,000	38,536	214,536
2024	176,000	32,923	208,923
2025	176,000	27,310	203,310
2026-2030	502,000	63,955	565,955
2031-2033	150,000	10,470	160,470
Total	<u>\$ 1,858,443</u>	<u>\$ 287,616</u>	<u>\$ 2,146,059</u>

	Balance as of June 30, 2020
<i>Business-type activities</i>	
A note for \$782,795 was issued in June 2016 with annual payments of \$89,858 for the refinancing of a water revolving loan. The note bears an interest rate of 2.59% and matures in 2026.	\$ 493,461
A note for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for water system improvement projects. The note bears an interest rate of 3.49% and matures in 2033.	650,000
Total outstanding installment notes payable	<u>\$ 1,143,461</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes (Continued)

The debt service to maturity on the installment notes for business-type activities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2021	\$ 127,077	\$ 35,466	\$ 162,543
2022	129,073	31,724	160,797
2023	131,121	27,931	159,052
2024	133,222	24,084	157,306
2025	135,378	20,185	155,563
2026-2030	337,590	54,619	392,209
2031-2033	150,000	10,470	160,470
Total	<u>\$ 1,143,461</u>	<u>\$ 204,479</u>	<u>\$ 1,347,940</u>

Revolving Loans

In June 2010, the Town entered into a direct borrowing agreement with the North Carolina Department of Environmental Quality for a loan in the amount of \$974,345 from the Clean Water State Revolving Fund. The proceeds of the loan were used for water system improvements. Principal installments are due annually on May 1 with semiannual interest payments due on November 1 and May 1. The loan is secured with pledged revenues from the water system. The loan bears an interest rate of 2.22%. At June 30, 2020, \$535,890 of the loan was outstanding. The loan matures in 2031.

In June 2011, the Town entered into a direct borrowing agreement with the North Carolina Department of Environmental Quality for a loan in the amount of \$188,542 from the Clean Water State Revolving Fund. The proceeds of the loan were used for wastewater system improvements. Principal installments are due annually on May 1. The loan is secured with pledged revenues from the water system. The loan bears a zero percent interest rate. At June 30, 2020, \$94,270 of the loan was outstanding. The loan matures in 2030.

The debt service to maturity on the revolving loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2021	\$ 58,144	\$ 11,897	\$ 70,041
2022	58,144	10,815	68,959
2023	58,144	9,734	67,878
2024	58,144	8,652	66,796
2025	58,144	7,571	65,715
2026-2030	290,724	21,630	312,354
2031-2034	48,716	1,082	49,798
Total	<u>\$ 630,160</u>	<u>\$ 71,381</u>	<u>\$ 701,541</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$ 77,649
General Fund	Nonmajor Governmental Funds	28,630
		<u>\$ 106,279</u>

These balances relate to the timing of short-term cash loans between the funds.

Interfund Transfers

The composition of interfund transfers that occurred between the Town's funds during the year ended June 30, 2020, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 127,090
General Fund	Golf Course Fund	30,000
General Fund	Nonmajor governmental funds	20
		<u>\$ 157,110</u>
Commerce Park Infrastructure Fund	Water Fund	<u>\$ 41,578</u>
Nonmajor governmental funds	General Fund	\$ 127,000
Nonmajor governmental funds	Water Fund	450,000
		<u>\$ 577,000</u>
Golf Course Fund	General Fund	<u>\$ 21,875</u>

Transfers are used to move revenues from the (1) General Fund for grant matching purposes, (2) General Fund to support the operations of the golf course (3) Water Fund for grant matching purposes and (4) for the Water Fund and Golf Course Fund to reimburse the General Fund for central administrative costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

The Town participates in two defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS) and the Law Enforcement Officers Special Separation Allowance (LEOSSA). Only the LGERS is funded with a qualifying trust and accounted for by the Town under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability, total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS and LEOSSA are summarized as follows:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Net pension liability	\$ 1,596,498	\$ -	\$ 1,596,498
Total pension liability	-	806,047	806,047
Pension expense	678,978	94,727	773,705
Deferred outflows of resources	921,234	183,395	1,104,629
Deferred inflows of resources	101,019	19,785	120,804

A. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided (continued). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$348,731 for the year ended June 30, 2020.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$1,596,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2019 measurement date, the Town's proportion was 0.05846%, which was a decrease of 0.00413% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$678,978. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 273,361	\$ -
Changes in assumptions	260,203	-
Net difference between projected and actual earnings on pension plan investments	38,939	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	101,019
Town contributions subsequent to the measurement date	348,731	-
Total	<u>\$ 921,234</u>	<u>\$ 101,019</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Town contributions made subsequent to the measurement date of \$348,731 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 249,043
2022	61,061
2023	131,153
2024	30,227
	<u>\$ 471,484</u>

Actuarial Assumptions. The total pension liability as of June 30, 2019, was determined by the December 31, 2018 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 - 8.10%, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to substantively automatic and are therefore not included in the measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%, which did not change from the rate used in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,651,481	\$ 1,596,498	\$ (111,611)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	<u>19</u>
Total	<u>22</u>

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index. The current year rate of 3.26% is a change from the prior year rate of 3.64%

Mortality Rate. Deaths After Retirement (Healthy): Mortality rates are based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The RP-2014 annuitant tables have no rates prior to age 50. The RP-2014 Total Data Set Employee Mortality Table is used for ages less than 50.

Deaths After Retirement (Disabled): Mortality rates are based on the RP-2014 Total Data Set for Disabled Annuitants Mortality Table. Rates for male members are multiplied by 103% for all ages. Rates for female members are multiplied by 99% for all ages.

Deaths Before Retirement: Mortality rates are based on the RP-2014 Total Data Set Employee Mortality Table.

Mortality Projection: All mortality rates are projected from 2014 using generational improvement with Scale MP-2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$45,405 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a total pension liability of \$806,047. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$94,727.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 128,615	\$ -
Change in assumptions	32,078	19,785
Town benefit payments made subsequent to the measurement date.	22,702	-
Total	<u>\$ 183,395</u>	<u>\$ 19,785</u>

The town reported \$22,702 as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 38,889
2022	38,889
2023	34,050
2024	19,513
2025	9,567
	<u>\$ 140,908</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2020, were as follows:

	Total Pension Liability
Balance at June 30, 2019	\$ 725,721
Service Cost	25,016
Interest	25,446
Experience differences	62,668
Assumption changes	20,484
Benefit payments	(53,288)
Balance at June 30, 2020	<u>\$ 806,047</u>

The required schedule of changes in the Town's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 862,977	\$ 806,047	\$ 753,452

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan for LEO (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, consisted of \$49,833 from the Town.

D. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, consisted of \$134,597 from the Town.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate. The Town participates in the RHBF.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members—eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the RHBF are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic postretirement benefit increases.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.5% of covered payroll which amounted to \$240,927. Active employees are not required to contribute to the RHBF.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Town reported a liability of \$7,174,024 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s present value of future salary, actuarially determined. At June 30, 2019, the Town’s proportion was 0.02267%, which was an increase from the prior year proportion by 0.00081%.

For the year ended June 30, 2020, Town recognized OPEB expense of \$48,841. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 361,661
Changes in assumptions	344,817	2,156,826
Net difference between projected and actual earnings on OPEB plan investments	4,778	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	870,252	402,232
Contributions paid subsequent to measurement date	240,927	-
Total	<u>\$ 1,460,774</u>	<u>\$ 2,920,719</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The amount reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, of \$240,927, will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:		
2021	\$	533,453
2022		533,453
2023		532,762
2024		217,955
2025		(116,751)
Total	\$	<u>1,700,872</u>

Actuarial assumptions. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Discount Rate:	3.50%
Long-term expected rate of return on OPEB investments	7.00%, net of investment expenses, including inflation
Healthcare Cost Trend Rate:	6.50% - 5.00%, Ultimate Trend in 2024 (Pre-Medicare) 5.00% (Medicare)
Inflation Rate:	3.00%
Salary increase:	3.50% to 7.55% (Teachers), including inflation 3.50% to 8.10% (Law Enforcement), including inflation 3.50% to 5.50% (General Employees), including inflation
Participation rate:	100%

Mortality rates were based on the RP-2014 Employee table without adjustment.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study which covered the period from January 1, 2010 through December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions (continued). Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.50%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019. This is a change from the prior year's rate of 3.87%.

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 8,523,731	\$ 7,174,024	\$ 6,090,877

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (5.50% decreasing to 4.00%) or 1-percentage point higher (7.50% decreasing to 6.00%) than the current discount rate:

	1% Decrease (5.5% to 4.0%)	Current (6.5% to 5.0%)	1% increase (7.5% to 6.0%)
Net OPEB liability	\$ 5,906,155	\$ 7,174,024	\$ 8,837,950

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has insurance through a commercial company for workers' compensation coverage of \$1 million per occurrence. The Town has general liability and auto liability through commercial companies for single occurrence claims up to \$2 million with general aggregate limit of \$4 million and property coverage in excess of \$10 million.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

Construction Commitments:

The Town has entered into construction commitments for various Town projects including sewer improvement, civic center improvements and general repair contracts with outstanding construction commitments of \$474,368 as of June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2020**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Total pension liability, beginning balance	\$ 725,721	\$ 680,380	\$ 617,615	\$ 622,334
Service cost	25,016	22,841	18,731	22,710
Interest on the total pension liability	25,446	20,573	22,626	21,577
Difference between expected and actual experience	62,668	84,490	51,299	-
Changes of assumptions or other inputs	20,484	(23,919)	32,985	(13,136)
Benefit payments	(53,288)	(58,644)	(62,876)	(35,870)
Total pension liability, ending balance	<u>\$ 806,047</u>	<u>\$ 725,721</u>	<u>\$ 680,380</u>	<u>\$ 617,615</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST THREE FISCAL YEARS**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Total pension liability	\$ 806,047	\$ 725,721	\$ 680,380	\$ 617,615
Town's covered-employee payroll	\$ 974,085	\$ 841,967	\$ 793,755	\$ 870,676
Total pension liability as a percentage of covered-employee payroll	82.75%	86.19%	85.72%	70.94%

The Town of Black Mountain has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST SEVEN FISCAL YEARS***

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.05846%	0.06259%	0.06341%	0.06118%	0.06448%	-0.05754%	0.05840%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,596,497	\$ 1,484,849	\$ 968,729	\$ 1,298,446	\$ 289,384	\$ (339,399)	\$ 703,944
Town's covered payroll	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663	\$ 2,796,230
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.28%	42.19%	27.83%	40.18%	9.24%	(11.37%)	25.17%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST SEVEN FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 348,731	\$ 285,191	\$ 267,003	\$ 253,360	\$ 219,788	\$ 217,328	\$ 212,607
Contributions in relation to the contractually required contribution	348,731	285,191	267,003	253,360	219,788	217,328	212,607
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,760,967	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663
Contributions as a percentage of covered payroll	9.27%	7.91%	7.59%	7.28%	6.80%	6.94%	7.12%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST FOUR FISCAL YEARS***

RETIREE HEALTH BENEFIT FUND

	2020	2019	2018	2017
Town's proportion of the net OPEB liability (%)	0.02267%	0.02186%	0.02320%	0.02039%
Town's proportion of the net OPEB liability (\$)	\$ 7,174,024	\$ 6,227,776	\$ 7,606,034	\$ 8,868,324
Town's covered payroll	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	198.98%	176.96%	218.49%	274.42%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST FOUR FISCAL YEARS**

RETIREE HEALTH BENEFIT FUND

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 240,927	\$ 225,443	\$ 211,619	\$ 199,971
Contributions in relation to the contractually required contribution	240,927	225,443	211,619	199,971
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,760,967	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154
Contributions as a percentage of covered payroll	6.41%	6.25%	6.01%	5.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Local Government Employers' Retirement System

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2020 reported in that schedule:

Valuation date	December 31, 2019
Actuarial cost method	Entry Age Method
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Assets return in excess of or less than the expected return on market value of assets reflected over a five-year period and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 - 8.10%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

Watershed Restoration Capital Project Fund – To account for the capital improvements to restore watershed which are funded primarily through grants and General Fund transfers.

Riverwalk Greenway Capital Project Fund – To account for the capital improvements to the greenway system, with multiple bridges and tunnels, which are funded primarily through grants and the County.

Tomahawk Stream Capital Project Fund – To account for the capital improvements for stream restoration in the Town, which are funded primarily through grants and General Fund transfers.

Water Capacity Improvements Capital Project Fund – To account for the capital improvements to help increase capacity in the water system, which are funded primarily through the EDA and Golden Leaf grants.

Automated Meter Infrastructure Capital Project Fund – To account for the capital improvements to help install meters which are funded primarily through transfers from the General Fund.

Comprehensive Bike Plan Capital Project Fund – To account for the capital improvements for bike transportation which are funded primarily through grants.

Veteran's Park Improvements Capital Project Fund – To account for the capital improvements which are used to build public park amenities and are funded primarily through grants and General Fund transfers.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Watershed Restoration Project	Riverwalk Greenway Project	Tomahawk Stream Project	Water Capacity Improvements	Automated Meter Infrastructure	Comprehensive Bike Plan Project	Veteran's Park Improvements Project	
ASSETS								
Cash and cash equivalents	\$ -	\$ 80,000	\$ 1,701	\$ 249,355	\$ 307,260	\$ -	\$ -	\$ 638,316
Restricted cash and cash equivalents	50,787	401,327	-	-	-	-	-	452,114
Total assets	<u>\$ 50,787</u>	<u>\$ 481,327</u>	<u>\$ 1,701</u>	<u>\$ 249,355</u>	<u>\$ 307,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090,430</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 55,228	\$ -	\$ -	\$ 64,646	\$ 119,874
Due to other funds	-	-	-	-	-	-	28,630	28,630
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,228</u>	<u>-</u>	<u>-</u>	<u>93,276</u>	<u>148,504</u>
FUND BALANCES								
Restricted:								
Capital projects	50,787	401,327	-	-	-	-	-	452,114
Assigned for capital projects	-	80,000	1,701	194,127	307,260	-	-	583,088
Unassigned	-	-	-	-	-	-	(93,276)	(93,276)
Total fund balances	<u>50,787</u>	<u>481,327</u>	<u>1,701</u>	<u>194,127</u>	<u>307,260</u>	<u>-</u>	<u>(93,276)</u>	<u>941,926</u>
Total liabilities and fund balances	<u>\$ 50,787</u>	<u>\$ 481,327</u>	<u>\$ 1,701</u>	<u>\$ 249,355</u>	<u>\$ 307,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090,430</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Watershed Restoration Project	Riverwalk Greenway Project	Tomahawk Stream Project	Water Capacity Improvements	Automated Meter Infrastructure	Comprehensive Bike Plan Project	Veteran's Park Improvements Project	
REVENUES								
Intergovernmental	\$ 58,875	\$ 320,542	\$ 3,706	\$ -	\$ -	\$ 31,921	\$ -	\$ 415,044
Permits and fees	-	-	-	249,355	-	-	-	249,355
Total revenues	58,875	320,542	3,706	249,355	-	31,921	-	664,399
EXPENDITURES								
Capital outlay	14,791	270,712	76,005	55,228	142,740	39,901	96,189	695,566
Total expenditures	14,791	270,712	76,005	55,228	142,740	39,901	96,189	695,566
Excess (deficiency) of revenues over expenditures	44,084	49,830	(72,299)	194,127	(142,740)	(7,980)	(96,189)	(31,167)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	80,000	39,000	-	450,000	8,000	-	577,000
Transfers out	-	-	-	-	-	(20)	-	(20)
Total other financing sources (uses)	-	80,000	39,000	-	450,000	7,980	-	576,980
Net change in fund balances	44,084	129,830	(33,299)	194,127	307,260	-	(96,189)	545,813
FUND BALANCES, beginning of year	6,703	351,497	35,000	-	-	-	2,913	396,113
FUND BALANCES, end of year	<u>\$ 50,787</u>	<u>\$ 481,327</u>	<u>\$ 1,701</u>	<u>\$ 194,127</u>	<u>\$ 307,260</u>	<u>\$ -</u>	<u>\$ (93,276)</u>	<u>\$ 941,926</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,961,000	\$ 3,961,000	\$ 3,950,501	\$ (10,499)
Prior year	5,000	5,000	2,411	(2,589)
DMV taxes	225,000	225,000	200,855	(24,145)
Penalties and interest	8,000	8,000	11,353	3,353
Total ad valorem taxes	4,199,000	4,199,000	4,165,120	(33,880)
Other taxes and licenses:				
Local option sales taxes	1,726,000	1,726,000	1,698,215	(27,785)
Business registration fees	9,000	9,000	260	(8,740)
Rental taxes	1,500	1,500	1,714	214
Automobile licenses	33,000	33,000	6,000	(27,000)
Total other taxes and licenses	1,769,500	1,769,500	1,706,189	(63,311)
Unrestricted intergovernmental:				
Utilities sales tax	500,000	500,000	495,354	(4,646)
Beer and wine tax	38,000	38,000	36,387	(1,613)
Telecommunications tax	60,000	60,000	49,968	(10,032)
Piped natural gas sales tax	20,000	20,000	18,195	(1,805)
NC fire tax	20,000	20,000	20,585	585
ABC profit distribution	54,000	54,000	135,000	81,000
Video franchise fees	120,000	120,000	105,811	(14,189)
Solid waste disposal tax	5,500	5,500	6,441	941
Controlled substances tax	5,000	5,000	14,635	9,635
Total unrestricted intergovernmental	822,500	822,500	882,376	59,876
Restricted intergovernmental:				
Powell Bill allocation	238,000	238,000	233,217	(4,783)
ABC revenue for law enforcement	15,000	25,000	13,000	(12,000)
Federal grants	-	-	416	416
State and local grants	18,000	62,000	141,978	79,978
Total restricted intergovernmental	271,000	325,000	388,611	63,611
Permits and fees:				
Building and zoning permits	282,500	282,500	293,190	10,690
Court costs and fees	800	800	675	(125)
Total permits and fees	283,300	283,300	293,865	10,565
Sales and service:				
Rents	84,500	84,500	66,879	(17,621)
Fire protection charges	1,250,000	1,250,000	1,256,060	6,060
Recreation admissions and concessions	161,250	161,250	79,137	(82,113)
Total sales and service	1,495,750	1,495,750	1,402,076	(93,674)
Investment earnings	90,100	90,100	68,846	(21,254)
Miscellaneous	86,250	94,250	99,084	4,834
Total revenues	9,017,400	9,079,400	9,006,167	(73,233)

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Operating expenditures	162,100	187,100	181,085	6,015
Total	162,100	187,100	181,085	6,015
Administration:				
Salaries and employee benefits	503,806	503,806	500,971	2,835
Operating expenditures	194,700	194,700	189,847	4,853
Total	698,506	698,506	690,818	7,688
Public Buildings:				
Operating expenditures	461,000	461,000	447,803	13,197
Capital outlay	39,000	174,636	130,658	43,978
Total	500,000	635,636	578,461	57,175
Total general government	1,360,606	1,521,242	1,450,364	70,878
Public Safety:				
Police:				
Salaries and employee benefits	1,748,994	1,748,994	1,764,294	(15,300)
Operating expenditures	276,750	294,750	263,057	31,693
Capital outlay	51,000	86,000	95,784	(9,784)
Total	2,076,744	2,129,744	2,123,135	6,609
Fire Department:				
Salaries and employee benefits	1,558,603	1,558,603	1,481,977	76,626
Operating expenditures	188,700	188,700	175,060	13,640
Capital Outlay	75,000	75,000	73,569	1,431
Total	1,822,303	1,822,303	1,730,606	91,697
Inspections:				
Salaries and employee benefits	336,235	326,235	295,861	30,374
Operating expenditures	61,000	106,375	65,940	40,435
Capital Outlay	65,000	75,000	27,729	47,271
Total	462,235	507,610	389,530	118,080
Total public safety	4,361,282	4,459,657	4,243,271	216,386

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Public Works:				
Garage:				
Salaries and employee benefits	229,500	229,500	231,740	(2,240)
Operating expenditures	40,600	40,600	30,011	10,589
Total	270,100	270,100	261,751	8,349
Street Repair and Construction:				
Salaries and employee benefits	375,528	375,528	345,350	30,178
Operating expenditures	429,100	429,100	383,315	45,785
Capital Outlay	349,500	404,300	306,743	97,557
Total	1,154,128	1,208,928	1,035,408	173,520
Total public works	1,424,228	1,479,028	1,297,159	181,869
Environmental Protection:				
Operating expenditures	3,800	3,800	1,653	2,147
Contracted services	660,400	660,400	655,851	4,549
Tipping fees	132,000	132,000	98,053	33,947
Total environmental protection	796,200	796,200	755,557	40,643
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	482,800	482,800	444,513	38,287
Operating expenditures	187,000	187,000	131,225	55,775
Capital Outlay	93,100	33,100	17,525	15,575
Total culture and recreation	762,900	702,900	593,263	109,637
Debt Service:				
Principal	327,415	327,415	326,977	438
Interest	55,376	55,376	55,814	(438)
Total debt service	382,791	382,791	382,791	-
Total expenditures	9,088,007	9,341,818	8,722,405	619,413
Excess (deficiency) of revenues over (under) expenditures	(70,607)	(262,418)	283,762	546,180
Other financing sources (uses)				
Fund balance appropriation	105,517	435,933	-	(435,933)
Transfers in	157,090	157,090	157,110	-
Transfers out	(200,000)	(381,875)	(288,875)	93,000
Proceeds from sale of capital assets	8,000	8,000	563,663	555,663
Issuance of note payable	-	43,270	43,270	-
Total other financing sources (uses)	70,607	262,418	475,168	212,730
Net change in fund balances	\$ -	\$ -	758,930	\$ 758,910
Fund balance, beginning of year			4,215,789	
Capital Reserve Fund fund balance, end of year			535,000	
Fund balance, end of year			\$ 5,509,719	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources				
Transfers in	\$ -	\$ -	\$ 140,000	\$ 140,000
Total other financing sources	-	-	140,000	140,000
Net change in fund balances	-	-	140,000	140,000
Fund balance, beginning of year	395,000	395,000	395,000	-
Fund balance, end of year	<u>\$ 395,000</u>	<u>\$ 395,000</u>	<u>\$ 535,000</u>	<u>\$ 140,000</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
COMMERCE PARK INFRASTRUCTURE CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 1,602,580	\$ 875,848	\$ 578,763	\$ 1,454,611
Miscellaneous	107,928	12,990	94,938	107,928
Total revenues	<u>1,710,508</u>	<u>888,838</u>	<u>673,701</u>	<u>1,562,539</u>
EXPENDITURES				
Capital outlay	1,752,086	995,690	672,298	1,667,988
Total expenditures	<u>1,752,086</u>	<u>995,690</u>	<u>672,298</u>	<u>1,667,988</u>
Excess (deficiency) of revenues over (under) expenditures	(41,578)	(106,852)	1,403	(105,449)
OTHER FINANCING SOURCES				
Transfers in	41,578	-	41,578	41,578
Total other financing sources	<u>41,578</u>	<u>-</u>	<u>41,578</u>	<u>41,578</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (106,852)</u>	42,981	<u>\$ (63,871)</u>
FUND BALANCE, beginning of year			(106,852)	
FUND BALANCE, end of year			<u>\$ (63,871)</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATERSHED RESTORATION CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 103,775	\$ 93,721	\$ 58,875	\$ 152,596
Total revenues	<u>103,775</u>	<u>93,721</u>	<u>58,875</u>	<u>152,596</u>
EXPENDITURES				
Capital outlay	138,775	122,018	14,791	136,809
Total expenditures	<u>138,775</u>	<u>122,018</u>	<u>14,791</u>	<u>136,809</u>
Excess (deficiency) of revenues over (under) expenditures	(35,000)	(28,297)	44,084	15,787
OTHER FINANCING SOURCES				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,703</u>	44,084	<u>\$ 50,787</u>
FUND BALANCE, beginning of year			<u>6,703</u>	
FUND BALANCE, end of year			<u>\$ 50,787</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
RIVERWALK GREENWAY CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 1,860,000	\$ 339,015	\$ 320,542	\$ 659,557
Total revenues	<u>1,860,000</u>	<u>339,015</u>	<u>320,542</u>	<u>659,557</u>
EXPENDITURES				
Capital outlay	<u>2,158,750</u>	<u>257,518</u>	<u>270,712</u>	<u>528,230</u>
Total expenditures	<u>2,158,750</u>	<u>257,518</u>	<u>270,712</u>	<u>528,230</u>
Excess (deficiency) of revenues over expenditures	(298,750)	81,497	49,830	131,327
OTHER FINANCING SOURCES				
Transfers in	<u>298,750</u>	<u>270,000</u>	<u>80,000</u>	<u>350,000</u>
Total other financing sources	<u>298,750</u>	<u>270,000</u>	<u>80,000</u>	<u>350,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 351,497</u>	129,830	<u>\$ 481,327</u>
FUND BALANCE, beginning of year			<u>351,497</u>	
FUND BALANCE, end of year			<u>\$ 481,327</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
TOMAHAWK STREAM CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 120,075	\$ 46,075	\$ 3,706	\$ 49,781
Total revenues	<u>120,075</u>	<u>46,075</u>	<u>3,706</u>	<u>49,781</u>
EXPENDITURES				
Capital outlay	<u>240,150</u>	<u>92,150</u>	<u>76,005</u>	<u>168,155</u>
Total expenditures	<u>240,150</u>	<u>92,150</u>	<u>76,005</u>	<u>168,155</u>
Deficiency of revenues over expenditures	(120,075)	(46,075)	(72,299)	(118,374)
OTHER FINANCING SOURCES				
Transfers in	<u>120,075</u>	<u>81,075</u>	<u>39,000</u>	<u>120,075</u>
Total other financing sources	<u>120,075</u>	<u>81,075</u>	<u>39,000</u>	<u>120,075</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 35,000</u>	(33,299)	<u>\$ 1,701</u>
FUND BALANCE, beginning of year			<u>35,000</u>	
FUND BALANCE, end of year			<u>\$ 1,701</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATER CAPACITY IMPROVEMENT CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>
REVENUES				
Permits and fees	\$ -	\$ -	\$ 249,355	\$ 249,355
Total revenues	<u>-</u>	<u>-</u>	<u>249,355</u>	<u>249,355</u>
EXPENDITURES				
Capital outlay	<u>240,000</u>	<u>-</u>	<u>55,228</u>	<u>55,228</u>
Total expenditures	<u>240,000</u>	<u>-</u>	<u>55,228</u>	<u>55,228</u>
Excess (deficiency) of revenues over (under) expenditures	(240,000)	-	194,127	194,127
OTHER FINANCING SOURCES				
Transfers in	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>194,127</u>	<u>\$ 194,127</u>
FUND BALANCE, beginning of year			<u>-</u>	
FUND BALANCE, end of year			<u>\$ 194,127</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
AUTOMATED METER INFRASTRUCTURE CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	840,000	-	142,740	142,740
Total expenditures	840,000	-	142,740	142,740
Deficiency of revenues over expenditures	(840,000)	-	(142,740)	(142,740)
OTHER FINANCING SOURCES				
Transfers in	840,000	-	450,000	450,000
Net change in fund balance	\$ -	\$ -	307,260	\$ 307,260
FUND BALANCE, beginning of year			-	
FUND BALANCE, end of year			\$ 307,260	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE BIKE PLAN CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2020**

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 32,000	\$ -	\$ 31,921	\$ 31,921
Total revenues	32,000	-	31,921	31,921
EXPENDITURES				
Capital outlay	40,000	-	39,901	39,901
Total expenditures	40,000	-	39,901	39,901
Deficiency of revenues over expenditures	(8,000)	-	(7,980)	(7,980)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	-	8,000	8,000
Transfers out	-	-	(20)	(20)
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE, beginning of year			-	
FUND BALANCE, end of year			\$ -	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
VETERAN'S PARK IMPROVEMENTS CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2020

	Project Budget	Prior Years	Actual Current Year	Total
EXPENDITURES				
Capital outlay	\$ 90,000	\$ 87,087	\$ 96,189	\$ 183,276
Total expenditures	90,000	87,087	96,189	183,276
Deficiency of revenues over expenditures	(90,000)	(87,087)	(96,189)	(183,276)
OTHER FINANCING SOURCES				
Transfers in	90,000	90,000	-	90,000
Total other financing sources	90,000	90,000	-	90,000
Net change in fund balances	\$ -	\$ 2,913	(96,189)	\$ (93,276)
FUND BALANCE, beginning of year			2,913	
FUND BALANCE, end of year			\$ (93,276)	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Water charges	\$ 1,342,000	\$ 1,342,000	\$ 1,338,995	\$ (3,005)
Penalties	30,000	30,000	23,567	(6,433)
Other operating revenues	144,000	144,000	142,958	(1,042)
Nonoperating revenues - interest	40,000	40,000	22,622	(17,378)
Total revenues	<u>1,556,000</u>	<u>1,556,000</u>	<u>1,528,142</u>	<u>(27,858)</u>
EXPENDITURES				
Water administration				
Salaries and benefits	110,000	110,000	97,500	12,500
Other operating expenditures	46,100	46,100	43,330	2,770
Total water administration	<u>156,100</u>	<u>156,100</u>	<u>140,830</u>	<u>15,270</u>
Water operations				
Salaries and benefits	365,020	365,020	295,721	69,299
Other operating expenditures	790,500	665,500	669,790	(4,290)
Total water operations	<u>1,155,520</u>	<u>1,030,520</u>	<u>965,511</u>	<u>65,009</u>
Debt service				
Principal	183,276	183,276	183,276	-
Interest	67,136	67,136	67,135	1
Total debt service	<u>250,412</u>	<u>250,412</u>	<u>250,411</u>	<u>1</u>
Total expenditures	<u>1,562,032</u>	<u>1,437,032</u>	<u>1,356,752</u>	<u>80,280</u>
Excess (deficiency) of revenues over expenditures	(6,032)	118,968	171,390	52,422
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	133,122	174,700	-	(174,700)
Proceeds from the sale of capital assets	-	-	10,902	10,902
Transfers out	(127,090)	(293,668)	(618,668)	(325,000)
Total other financing sources (uses)	<u>6,032</u>	<u>(118,968)</u>	<u>(607,766)</u>	<u>(488,798)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(436,376)</u>	<u>\$ (436,376)</u>
Adjustments to full accrual:				
Capital outlays			188,842	
Payments of debt service - principal			183,276	
Increase in compensated absences			(1,035)	
Increase in net pension liability and related deferrals			(36,616)	
Increase in net OPEB liability and related deferrals			(92,212)	
Depreciation expense			(299,582)	
Change in net position			<u>\$ (493,703)</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
GOLF COURSE FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Memberships and initiation fees	\$ 125,000	\$ 125,000	\$ 68,485	\$ (56,515)
Golf cart rentals	240,100	240,100	176,241	(63,859)
Green fees	240,000	240,000	221,623	(18,377)
Miscellaneous revenues	7,000	7,000	3,138	(3,862)
Total revenues	612,100	612,100	469,487	(142,613)
EXPENDITURES				
Operating expenditures				
Golf course administration:				
Salaries and employee benefits	337,700	337,700	333,851	3,849
Other departmental expenses	247,400	269,275	248,380	20,895
Total operating expenditures	585,100	606,975	582,231	24,744
Deficiency of revenues over expenditures	27,000	5,125	(112,744)	(117,869)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	121,875	21,875	(100,000)
Transfers out	(30,000)	(30,000)	(30,000)	-
Proceeds from sale of capital assets	3,000	3,000	-	(3,000)
Appropriation of net position	-	(100,000)	-	100,000
Total other financing (uses)	(27,000)	(5,125)	(8,125)	(3,000)
Change in net position	\$ -	\$ -	(120,869)	\$ (120,869)
Adjustments to full accrual:				
Capital outlays			21,872	
Decrease in compensated absences			9,858	
Increase in net pension liability and related deferrals			(11,582)	
Increase in net OPEB liability and related deferrals			(25,294)	
Depreciation expense			(16,646)	
Change in net position			\$ (142,661)	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
METROPOLITAN SEWERAGE DISTRICT AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and cash equivalents	\$ 102,959	\$ 1,235,132	\$ 1,236,659	\$ 101,432
Accounts receivable	187,226	860,248	866,773	180,701
Total assets	<u>\$ 290,185</u>	<u>\$ 2,095,380</u>	<u>\$ 2,103,432</u>	<u>\$ 282,133</u>
LIABILITIES				
Due to Metropolitan Sewerage District	<u>\$ 290,186</u>	<u>\$ 2,095,380</u>	<u>\$ 2,103,433</u>	<u>\$ 282,133</u>
Total liabilities	<u>\$ 290,186</u>	<u>\$ 2,095,380</u>	<u>\$ 2,103,433</u>	<u>\$ 282,133</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 4,206,143	\$ 4,181,599	\$ 24,544
2018-2019	3,173	-	2,108	1,065
2017-2018	805	-	137	668
2016-2017	589	-	434	155
2015-2016	539	-	2	537
2014-2015	608	-	6	602
2013-2014	868	-	362	506
2012-2013	957	-	156	801
2011-2012	308	-	31	277
2010-2011	2,393	-	1	2,392
2009-2010	613	-	613	-
	<u>\$ 10,853</u>	<u>\$ 4,206,143</u>	<u>\$ 4,185,449</u>	<u>31,547</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>8,361</u>
Ad valorem taxes receivable - net				<u>\$ 23,186</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 4,165,120
Reconciling items:				
Releases and write-offs				31,682
Interest collected				(11,353)
Total collections and credits				<u>\$ 4,185,449</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
JUNE 30, 2020**

				Total Levy	
	Town-wide			Property excluding	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 1,261,057,744	0.3325	\$ 4,193,017	\$ 3,974,477	\$ 218,540
Penalties	-		572	-	-
Total	<u>1,261,057,744</u>		<u>4,193,589</u>	<u>3,974,477</u>	<u>218,540</u>
Discoveries:					
Current year taxes	489,855		13,126	13,126	-
Penalties	-		6,564	-	-
Total	<u>489,855</u>		<u>19,690</u>	<u>13,126</u>	<u>-</u>
Adjustments	(889,323)		(2,957)	(2,957)	-
Total property valuation	<u>\$ 1,260,658,276</u>				
Net levy			4,203,186	3,984,646	218,540
Uncollected taxes at June 30, 2020			<u>24,544</u>	<u>24,544</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,178,642</u>	<u>\$ 3,960,102</u>	<u>\$ 218,540</u>
Current levy collection percentage			<u>99.42%</u>	<u>99.38%</u>	<u>100.00%</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Black Mountain's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Page

Financial Trends 86-90

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity..... 91-95

These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.

Debt Capacity..... 96-98

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 99-101

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 102-103

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 1
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 - Restated</u>	<u>2019</u>	<u>2020</u>
Governmental activities										
Net investment in capital assets	\$ 5,732,742	\$ 5,892,731	\$ 6,062,891	\$ 6,682,269	\$ 7,480,903	\$ 8,195,626	\$ 9,268,098	\$ 10,598,818	\$ 11,718,680	\$ 13,163,915
Restricted	847,017	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959	1,013,087	1,104,513	1,381,594	1,821,570
Unrestricted	<u>2,214,689</u>	<u>2,343,722</u>	<u>2,856,362</u>	<u>2,648,896</u>	<u>2,751,563</u>	<u>3,214,334</u>	<u>2,395,587</u>	<u>(5,775,493)</u>	<u>(5,432,828)</u>	<u>(4,428,809)</u>
Total governmental activities	<u>\$ 8,794,448</u>	<u>\$ 9,449,486</u>	<u>\$ 10,058,672</u>	<u>\$ 10,515,644</u>	<u>\$ 12,841,040</u>	<u>\$ 12,916,919</u>	<u>\$ 12,676,772</u>	<u>\$ 5,927,838</u>	<u>\$ 7,667,446</u>	<u>\$ 10,556,676</u>
Business-type activities										
Net investment in capital assets	\$ 4,142,539	\$ 3,661,647	\$ 3,684,913	\$ 3,702,761	\$ 4,882,698	\$ 4,841,723	\$ 5,209,008	\$ 5,535,695	\$ 5,668,069	\$ 5,745,831
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>1,758,245</u>	<u>1,587,725</u>	<u>1,585,762</u>	<u>1,576,394</u>	<u>1,617,588</u>	<u>1,888,984</u>	<u>1,686,041</u>	<u>279,437</u>	<u>259,769</u>	<u>(454,357)</u>
Total business-type activities	<u>\$ 5,900,784</u>	<u>\$ 5,249,372</u>	<u>\$ 5,270,675</u>	<u>\$ 5,279,155</u>	<u>\$ 6,500,286</u>	<u>\$ 6,730,707</u>	<u>\$ 6,895,049</u>	<u>\$ 5,815,132</u>	<u>\$ 5,927,838</u>	<u>\$ 5,291,474</u>
Primary government										
Net investment in capital assets	\$ 9,875,281	\$ 9,554,378	\$ 9,747,804	\$ 10,385,030	\$ 12,363,601	\$ 13,037,349	\$ 14,477,106	\$ 16,134,513	\$ 17,386,749	\$ 18,909,746
Restricted	847,017	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959	1,013,087	1,104,513	1,381,594	1,821,570
Unrestricted	<u>3,972,934</u>	<u>3,931,447</u>	<u>4,442,124</u>	<u>4,225,290</u>	<u>4,369,151</u>	<u>5,103,318</u>	<u>4,081,628</u>	<u>(5,496,056)</u>	<u>(5,173,059)</u>	<u>(4,883,166)</u>
Total primary government	<u>\$ 14,695,232</u>	<u>\$ 14,698,858</u>	<u>\$ 15,329,347</u>	<u>\$ 15,794,799</u>	<u>\$ 19,341,326</u>	<u>\$ 19,647,626</u>	<u>\$ 19,571,821</u>	<u>\$ 11,742,970</u>	<u>\$ 13,595,284</u>	<u>\$ 15,848,150</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 2
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 1,218,572	\$ 1,215,145	\$ 1,204,608	\$ 1,264,384	\$ 1,268,752	\$ 1,187,536	\$ 1,198,062	\$ 1,184,619	\$ 1,114,182	\$ 1,371,115
Public safety	3,024,007	2,912,307	3,200,090	3,347,118	3,170,756	3,362,444	3,547,258	4,073,375	3,949,196	4,360,322
Public works	309,097	728,318	747,995	878,050	898,225	900,103	943,152	1,125,163	1,095,937	1,216,069
Environmental protection	741,528	699,720	650,060	693,266	675,672	670,546	737,418	761,484	890,934	862,488
Cultural and recreation	964,477	677,420	698,246	772,137	745,206	856,205	856,816	770,493	765,911	679,414
Economic and physical development	103,567	-	-	-	83,243	969,884	562,254	1,786	-	-
Interest on long term debt	149,196	141,765	98,531	76,196	69,614	52,601	47,856	38,862	66,392	52,493
Total governmental activities expenses	<u>6,510,444</u>	<u>6,374,675</u>	<u>6,599,530</u>	<u>7,031,151</u>	<u>6,911,468</u>	<u>7,999,319</u>	<u>7,892,816</u>	<u>7,955,782</u>	<u>7,882,552</u>	<u>8,541,901</u>
Business-type activities:										
Water and sewer	1,300,551	1,189,843	1,261,307	1,199,074	1,218,696	1,322,647	1,293,069	1,364,891	1,321,979	1,414,080
Golf course	650,364	185,127	130,905	192,572	598,508	585,951	598,817	635,955	631,431	604,023
Total business-type activities	<u>1,950,915</u>	<u>1,374,970</u>	<u>1,392,212</u>	<u>1,391,646</u>	<u>1,817,204</u>	<u>1,908,598</u>	<u>1,891,886</u>	<u>2,000,846</u>	<u>1,953,410</u>	<u>2,018,103</u>
 Total primary government expenses	 <u>\$ 8,461,359</u>	 <u>\$ 7,749,645</u>	 <u>\$ 7,991,742</u>	 <u>\$ 8,422,797</u>	 <u>\$ 8,728,672</u>	 <u>\$ 9,907,917</u>	 <u>\$ 9,784,702</u>	 <u>\$ 9,956,628</u>	 <u>\$ 9,835,962</u>	 <u>\$ 10,560,004</u>
 Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 28,191	\$ -	\$ 127,090	\$ 127,090	\$ 157,090	\$ 3,633	\$ -	\$ -	\$ 343,676	\$ 359,609
Public safety	930,317	950,840	969,637	1,026,845	1,040,675	1,211,299	1,263,285	1,271,710	1,178,813	1,256,060
Environmental protection	-	-	-	-	7,956	1,492	-	-	-	-
Cultural and recreational	130,792	169,502	148,880	168,708	178,605	198,629	250,572	265,806	144,916	79,137
Economic and physical development	4,426	397	1,520	-	-	-	-	-	-	-
Operating grants and contributions	284,401	251,579	296,504	274,624	324,682	311,013	274,683	312,075	100,706	155,394
Capital grants and contributions	165,444	58,526	2,339	213,222	-	-	169,132	23,787	1,465,264	1,476,379
Total governmental activities program revenues	<u>1,543,571</u>	<u>1,430,844</u>	<u>1,545,970</u>	<u>1,810,489</u>	<u>1,709,008</u>	<u>1,726,066</u>	<u>1,957,672</u>	<u>1,873,378</u>	<u>3,233,375</u>	<u>3,326,579</u>
Business-type activities:										
Charge for services										
Water	1,194,277	1,185,287	1,231,027	1,279,528	1,321,461	1,350,939	1,427,404	1,417,253	1,420,559	1,503,970
Golf course	423,475	129,673	-	100,882	500,854	543,564	543,326	476,570	454,577	469,487
Capital grants and contributions	108,172	46,913	-	-	-	-	-	-	30,100	-
Total business-type activities	<u>1,725,924</u>	<u>1,361,873</u>	<u>1,231,027</u>	<u>1,380,410</u>	<u>1,822,315</u>	<u>1,894,503</u>	<u>1,970,730</u>	<u>1,893,823</u>	<u>1,905,236</u>	<u>1,973,457</u>
 Total primary government program revenues	 <u>3,269,495</u>	 <u>2,792,717</u>	 <u>2,776,997</u>	 <u>3,190,899</u>	 <u>3,531,323</u>	 <u>3,620,569</u>	 <u>3,928,402</u>	 <u>3,767,201</u>	 <u>5,138,611</u>	 <u>5,300,036</u>
 Net (Expense) Revenue										
Governmental activities	(4,966,873)	(4,943,831)	(5,053,560)	(5,220,662)	(5,202,460)	(6,273,253)	(5,935,144)	(6,082,404)	(4,649,177)	(5,215,322)
Business-type activities	(224,991)	(13,097)	(161,185)	(11,236)	5,111	(14,095)	78,844	(107,023)	(48,174)	(44,646)
 Total primary government expense	 <u>\$ (5,191,864)</u>	 <u>\$ (4,956,928)</u>	 <u>\$ (5,214,745)</u>	 <u>\$ (5,231,898)</u>	 <u>\$ (5,197,349)</u>	 <u>\$ (6,287,348)</u>	 <u>\$ (5,856,300)</u>	 <u>\$ (6,189,427)</u>	 <u>\$ (4,697,351)</u>	 <u>\$ (5,259,968)</u>

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 2
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 4,721,019	\$ 4,718,044	\$ 4,932,087	\$ 5,164,154	\$ 5,248,097	\$ 5,414,866	\$ 5,464,694	\$ 5,597,622	\$ 5,755,342	\$ 5,883,063
Grants and unrestricted contributions	515,103	616,003	679,023	709,687	1,118,485	836,255	799,505	803,413	844,345	882,376
Investment earnings	6,677	2,799	3,339	2,112	2,302	13,402	24,425	52,392	91,364	68,846
Gain on disposal of assets	-	-	1,860	3,797	4,825	41,600	-	-	3,463	449,452
Surety bond settlement	-	-	-	-	1,533,505	-	-	-	-	-
Miscellaneous	384,075	66,928	46,437	132,884	125,783	153,817	89,420	135,340	146,382	194,022
Transfers	(92,910)	184,846	-	(335,000)	(82,591)	(246,018)	(71,997)	(130,530)	(125,000)	626,793
Total government activities	<u>5,533,964</u>	<u>5,588,620</u>	<u>5,662,746</u>	<u>5,677,634</u>	<u>7,950,406</u>	<u>6,213,922</u>	<u>6,306,047</u>	<u>6,458,237</u>	<u>6,715,896</u>	<u>8,104,552</u>
Business-type activities:										
Pro shop	30,114	6,084	-	-	-	-	-	-	-	-
Investment earnings	702	1,122	1,432	1,124	741	4,614	12,334	22,847	34,010	22,622
Gain (loss) on disposal of assets	-	-	100,800	18,184	-	(8,907)	-	2,952	-	10,902
Grants and contributions, not restricted	-	-	-	-	1,197,500	-	-	-	-	-
Miscellaneous	130,251	22,919	80,256	75,408	3,975	2,791	1,167	2,488	1,870	1,551
Special item - Billy Casper	-	-	-	(410,000)	-	-	-	-	-	-
Transfers	92,910	(184,846)	-	335,000	82,591	246,018	71,997	130,530	125,000	(626,793)
Total business-type activities	<u>253,977</u>	<u>(154,721)</u>	<u>182,488</u>	<u>19,716</u>	<u>1,284,807</u>	<u>244,516</u>	<u>85,498</u>	<u>158,817</u>	<u>160,880</u>	<u>(591,718)</u>
Total primary government	<u>\$ 5,787,941</u>	<u>\$ 5,433,899</u>	<u>\$ 5,845,234</u>	<u>\$ 5,697,350</u>	<u>\$ 9,235,213</u>	<u>\$ 6,458,438</u>	<u>\$ 6,391,545</u>	<u>\$ 6,617,054</u>	<u>\$ 6,876,776</u>	<u>\$ 7,512,834</u>
Change in Net Position										
Governmental activities	\$ 567,091	\$ 644,789	\$ 609,186	\$ 456,972	\$ 2,747,946	\$ (59,331)	\$ 370,903	\$ 375,833	\$ 2,066,719	\$ 2,889,230
Business-type activities	<u>28,986</u>	<u>(167,818)</u>	<u>21,303</u>	<u>8,480</u>	<u>1,289,918</u>	<u>230,421</u>	<u>164,342</u>	<u>51,794</u>	<u>112,706</u>	<u>(636,364)</u>
Total primary government	<u>\$ 596,077</u>	<u>\$ 476,971</u>	<u>\$ 630,489</u>	<u>\$ 465,452</u>	<u>\$ 4,037,864</u>	<u>\$ 171,090</u>	<u>\$ 535,245</u>	<u>\$ 427,627</u>	<u>\$ 2,179,425</u>	<u>\$ 2,252,866</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable	\$ 7,124	\$ 19,195	\$ 33,089	\$ 62,074	\$ 59,245	\$ 16,165	\$ 25,708	\$ 77,902	\$ 66,315	\$ 17,772
Restricted	847,017	1,057,295	1,135,561	1,184,478	1,115,787	942,700	885,476	884,784	1,103,394	1,369,456
Committed	-	-	250,000	275,000	285,000	275,000	175,000	175,000	-	-
Assigned	409,855	-	307,110	200,381	256,661	408,248	576,079	242,089	663,074	743,121
Unassigned	<u>1,954,740</u>	<u>2,557,173</u>	<u>2,514,327</u>	<u>2,442,734</u>	<u>2,709,003</u>	<u>3,022,324</u>	<u>2,826,373</u>	<u>2,822,575</u>	<u>2,778,006</u>	<u>3,379,370</u>
Total general fund	<u>\$ 3,218,736</u>	<u>\$ 3,633,663</u>	<u>\$ 4,240,087</u>	<u>\$ 4,164,667</u>	<u>\$ 4,425,696</u>	<u>\$ 4,664,437</u>	<u>\$ 4,488,636</u>	<u>\$ 4,202,350</u>	<u>\$ 4,610,789</u>	<u>\$ 5,509,719</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	18,062	155,738	3,858	-	1,492,787	564,260	127,611	-	278,200	452,114
Committed	-	-	-	-	-	30,000	2,913	-	-	-
Assigned	-	-	-	-	-	-	-	-	117,913	583,088
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,475)</u>	<u>-</u>	<u>-</u>	<u>(106,852)</u>	<u>(157,147)</u>
Total other governmental funds	<u>\$ 18,062</u>	<u>\$ 155,738</u>	<u>\$ 3,858</u>	<u>\$ -</u>	<u>\$ 1,492,787</u>	<u>\$ 591,785</u>	<u>\$ 130,524</u>	<u>\$ -</u>	<u>\$ 289,261</u>	<u>\$ 878,055</u>
Total combined governmental fund balances	<u>\$ 3,236,798</u>	<u>\$ 3,789,401</u>	<u>\$ 4,243,945</u>	<u>\$ 4,164,667</u>	<u>\$ 5,918,483</u>	<u>\$ 5,256,222</u>	<u>\$ 4,619,160</u>	<u>\$ 4,202,350</u>	<u>\$ 4,900,050</u>	<u>\$ 6,387,774</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues										
Ad valorem taxes	\$3,481,575	\$3,484,258	\$3,614,786	\$ 3,809,276	\$ 3,799,959	\$ 3,830,394	\$ 3,859,698	\$ 3,940,653	\$ 4,077,971	\$ 4,165,120
Other taxes and licenses	1,082,404	1,260,265	1,326,647	1,372,798	1,466,892	1,589,942	1,607,707	1,654,609	1,681,330	1,706,189
Unrestricted intergovernmental revenues	671,593	616,003	679,023	709,687	846,418	836,255	799,505	803,413	844,345	882,376
Restricted intergovernmental revenues	421,049	303,518	298,843	487,846	324,682	311,013	443,815	335,862	1,459,128	1,382,418
Permits and fees	112,646	144,815	151,958	165,285	183,689	294,689	335,606	279,238	249,093	543,220
Sales and services	976,240	975,924	1,095,169	1,157,358	1,200,637	1,120,364	1,178,251	1,258,278	1,414,946	1,402,076
Investment earnings	6,677	2,799	3,339	2,112	2,302	13,402	89,420	129,340	91,364	68,846
Other revenues	366,508	66,928	46,437	132,884	1,659,288	153,817	24,425	52,392	146,382	194,022
Total Revenue	<u>7,118,692</u>	<u>6,854,510</u>	<u>7,216,202</u>	<u>7,837,246</u>	<u>9,483,867</u>	<u>8,149,876</u>	<u>8,338,427</u>	<u>8,453,785</u>	<u>9,964,559</u>	<u>10,344,267</u>
Expenditures										
Current										
General government	1,191,337	1,203,305	1,151,178	1,175,458	1,249,134	1,203,593	1,141,725	2,142,043	1,188,575	1,450,364
Public safety	3,125,399	2,844,461	3,309,705	3,291,394	3,268,182	3,373,520	3,961,552	3,872,049	4,664,341	4,243,271
Public works	735,720	711,560	776,707	952,357	1,067,353	1,066,048	1,044,851	1,214,789	1,113,973	1,297,159
Environmental protection	741,528	693,100	639,757	652,963	665,301	659,476	730,010	757,714	760,547	755,557
Cultural and recreational	877,559	621,039	634,726	732,495	868,160	1,117,776	925,412	822,305	688,353	593,263
Capital outlay	179,995	90,227	4,219	217,080	83,243	969,884	889,362	39,244	1,149,336	1,367,864
Debt Service										
Principal retirement	228,132	254,753	280,079	480,422	381,121	294,361	159,791	382,219	176,000	326,977
Interest and fees	149,196	141,765	117,147	83,152	69,791	58,271	50,789	43,060	60,989	55,814
Total expenditures	<u>7,228,866</u>	<u>6,560,210</u>	<u>6,913,518</u>	<u>7,585,321</u>	<u>7,652,285</u>	<u>8,742,929</u>	<u>8,903,492</u>	<u>9,273,423</u>	<u>9,802,114</u>	<u>10,090,269</u>
Excess of revenues over (under) expenditures	<u>(110,174)</u>	<u>294,300</u>	<u>302,684</u>	<u>251,925</u>	<u>1,831,582</u>	<u>(593,053)</u>	<u>(565,065)</u>	<u>(819,638)</u>	<u>162,445</u>	<u>253,998</u>
Other Financing Sources (uses)										
Sale of capital assets	-	-	1,860	3,797	4,825	41,600	-	6,000	3,463	563,663
Transfers in	172,090	199,846	150,000	-	-	29,980	258,500	107,575	80,000	775,688
Transfers out	(265,000)	(15,000)	(150,000)	(335,000)	(82,591)	(275,998)	(330,497)	(238,105)	(205,000)	(148,895)
Proceeds from debt	244,557	-	150,000	-	-	-	-	750,000	434,150	43,270
Total other financing sources (uses)	<u>151,647</u>	<u>184,846</u>	<u>151,860</u>	<u>(331,203)</u>	<u>(77,766)</u>	<u>(204,418)</u>	<u>(71,997)</u>	<u>625,470</u>	<u>312,613</u>	<u>1,233,726</u>
Net change in fund balances	<u>\$ 41,473</u>	<u>\$ 479,146</u>	<u>\$ 454,544</u>	<u>\$ (79,278)</u>	<u>\$ 1,753,816</u>	<u>\$ (797,471)</u>	<u>\$ (637,062)</u>	<u>\$ (194,168)</u>	<u>\$ 475,058</u>	<u>\$ 1,487,724</u>
Debt service as a percentage of non capital expenditures	5.22%	6.04%	6.13%	7.96%	6.34%	4.43%	2.78%	5.35%	3.13%	4.87%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 5
Assessed Value of Taxable Property (excludes motor vehicle)
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service</u>	<u>Total Taxable Assessed Value</u>	<u>Total Town Direct Tax Rate</u>	<u>Sales Assessment Ratio (a)</u>	<u>Estimated Actual Taxable Value (b)</u>
2011	\$ 819,371	\$ 64,195	\$ 13,052	\$ 896,618	0.365	95.53%	\$ 856,539
2012	816,661	66,238	13,303	896,202	0.365	99.00%	887,240
2013	845,605	66,348	13,242	925,195	0.365	99.00%	915,943
2014	834,762	85,898	15,525	936,185	0.375	96.91%	907,257
2015	866,710	98,957	13,380	979,047	0.375	95.17%	931,759
2016	872,158	97,493	15,040	984,691	0.375	90.00%	886,222
2017	879,257	95,470	14,114	988,841	0.375	84.55%	836,065
2018	1,031,605	97,210	14,451	1,143,266	0.3325	98.73%	1,128,747
2019	1,036,504	100,423	14,522	1,151,449	0.3325	91.67%	1,055,533
2020	1,080,235	129,696	15,144	1,225,075	0.3325	N/A	N/A

Source: Annual County report of Valuation and Property Tax Levies
NC Department of Revenue

(a) Management of Cash and Taxes and Fund Balance Available, NC Department of State Treasurer

(b) The estimated actual value is calculated by multiplying the assessed value by the sales assessment ratio.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 6
Governmental Funds Tax Revenue by Source
Last Ten Fiscal Years**

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Total
2011	\$ 3,481,575	\$ 1,010,047	\$ 561,441	\$ 5,053,063
2012	3,484,258	1,194,335	509,936	5,188,529
2013	3,614,786	1,245,694	560,888	5,421,368
2014	3,809,276	1,321,087	554,524	5,684,887
2015	3,799,959	1,409,965	726,906	5,936,830
2016	3,830,394	1,554,072	679,210	6,063,676
2017	3,859,698	1,563,168	679,531	6,102,397
2018	3,940,654	1,609,566	679,403	6,229,623
2019	4,077,971	1,681,330	680,511	6,439,812
2020	4,165,120	1,706,189	669,328	6,540,637

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 7
Direct and Overlapping Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Town of Black Mountain</u>	<u>Buncombe County</u>	<u>Total Direct and Overlapping Rates</u>
	<u>Operating Millage</u>	<u>County-wide Rate</u>	
2011	0.365	0.525	0.890
2012	0.365	0.525	0.890
2013	0.365	0.525	0.890
2014	0.375	0.569	0.944
2015	0.375	0.604	0.979
2016	0.375	0.604	0.979
2017	0.375	0.604	0.979
2018	0.3325	0.539	0.872
2019	0.3325	0.529	0.862
2020	0.3325	0.529	0.862

Source: Buncombe County Tax Department.

Note: Overlapping tax rates are those of local and county governments that apply to property owners within the Town of Black Mountain.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 8
Principal Property Taxpayers
Fiscal Year Ended June 30, 2020 and June 30, 2011
(in thousands)

	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Taxpayers						
Ingles Markets, Inc.	\$ 169,717	1	15.71%	\$ 60,292	1	6.82%
Shopping Center Financing, LLC	10,756	2	1.00%	10,791	3	1.22%
Duke Energy Progress, Inc.	9,555	3	0.88%	8,340	6	0.94%
Kearfott Guidance Corp.	9,538	4	0.88%	8,537	5	0.97%
Tyson Furniture Co, Inc.	5,936	5	0.55%	4,210	8	0.48%
Bi Lo, LLC	4,790	6	0.44%	4,305	7	0.75%
Divya Jiyoti, Inc	3,383	7	0.31%	3,172	10	0.36%
National Retail Properties	2,443	8	0.23%	-	-	-
Blue Ridge Apartments	1,803	9	0.17%	-	-	-
Public Serv Co of NC, Inc.	1,667	10	0.15%	-	-	-
Cheshire Fitness & Racquet Club, LLC	-	-	-	16,077	2	1.82%
Settings of Black Mountain, LLC	-	-	-	10,064	4	1.14%
Highland Farms, Inc.	-	-	-	3,956	9	0.90%
Total	\$ 219,588		20.33%	\$ 129,744		15.40%

Source: Buncombe County Tax Department

Data not available for years prior to 2010

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 9
Property Tax Levies and Collections (Excluding Motor Vehicles)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 3,317,096	\$ 3,282,489	98.96%	\$ 27,550	\$ 3,310,039	99.79%
2012	3,284,603	3,261,128	99.29%	18,361	3,279,489	99.84%
2013	3,378,317	3,351,271	99.20%	11,126	3,362,397	99.53%
2014	3,508,520	3,490,224	99.48%	13,501	3,503,725	99.86%
2015	3,580,144	3,570,764	99.74%	8,922	3,579,686	99.99%
2016	3,611,273	3,605,137	99.83%	4,548	3,609,685	99.96%
2017	3,629,750	3,626,230	99.90%	2,543	3,628,773	99.97%
2018	3,719,662	3,715,303	99.88%	3,486	3,718,789	99.98%
2019	3,845,144	3,841,971	99.92%	2,386	3,844,357	99.98%
2020	3,974,477	3,950,501	99.40%	-	3,973,796	99.98%

Source: Buncombe County Tax Department

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 10
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Capital Lease Payable	Installment Purchase Contracts	Capital Lease Payable	Revolving Loan	Installment Purchase Contracts			
2011	\$ -	\$ 3,216,746	\$ 52,852	\$ 1,907,514	\$ 150,291	\$ 5,327,403	1.95%	\$ 665
2012	-	2,961,992	27,236	2,086,856	117,459	5,193,543	1.79%	648
2013	-	2,831,914	-	1,976,525	258,371	5,066,810	1.68%	621
2014	-	2,351,492	-	1,866,194	165,594	4,383,280	1.42%	530
2015	-	1,970,371	-	1,755,863	79,008	3,805,242	1.22%	454
2016	-	1,676,009	-	862,738	782,795	3,321,542	1.05%	409
2017	-	1,516,218	-	804,594	713,211	3,034,023	0.92%	358
2018	-	1,884,000	-	746,449	1,391,827	4,022,276	1.20%	475
2019	-	2,142,150	-	688,305	1,268,592	4,099,047	0.82%	481
2020	-	1,858,443	-	630,160	1,142,461	3,631,064	N/A	N/A

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 11
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

	<u>Outstanding Debt</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
Direct debt			
Town of Black Mountain	\$ 1,858,443	100.00%	\$ 1,858,443
Overlapping debt			
Buncombe County	<u>534,624,070</u>	3.39%	<u>18,113,239</u>
Total direct and overlapping debt	\$ 536,482,513		\$ 19,971,682

Note : Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of Buncombe County that is borne by the residents and businesses of Black Mountain. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overpaying government.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 12
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed value of property (excluding motor vehicle)	\$896,618	\$896,202	\$925,195	\$936,185	\$979,047	\$984,691	\$988,841	\$1,119,267	\$1,151,449	\$1,225,075
Debt limit, 8% of assessed value	71,729	71,696	74,016	74,895	78,324	78,775	79,107	89,541	92,116	98,006
Amount of debt applicable to limit										
Gross debt	5,327	5,194	5,067	4,383	3,805	3,322	3,034	4,022	4,099	3,632
Less: Debt related to business-like activities	2,110	2,231	2,235	2,032	1,835	1,646	1,518	2,138	1,957	1,774
Total net debt applicable to limit	3,217	2,963	2,832	2,351	1,970	1,676	1,516	1,884	2,142	1,858
Legal debt margin available	68,511	68,732	71,183	72,543	76,353	77,098	77,590	87,656	89,974	96,148
Total net debt applicable to the limit as a percentage of limit	4.48%	4.13%	3.83%	3.14%	2.52%	2.13%	1.92%	2.10%	2.33%	1.90%

Note: NC Statute GS159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 13
Principal Employers
Current Year and Nine Years Prior**

Employer	2020		2011	
	Number of employees	Rank	Number of employees	Rank
Ingles Market	1,590	1	1,203	1
Black Mountain Neuro-Medical	472	2	435	3
Kearfott Guidance and Navigation Corp.	343	3	450	2
NC State Alcohol and Drug Abuse Treatment Center	209	4	220	6
Highland Farms Retirement Community	200	5	250	4
Pentair Valve (Tyco)	120	6	155	7
Blue Ridge Assembly	117	7	-	-
Buncombe County Schools	112	8	223	5
Town of Black Mountain Government	82	9	76	8
Tyson Furniture	50	10	59	9
Grovestone Gravel and Stone	-	-	28	10

Note - Information not available for years prior to FY11.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 14
Principal Water Customers
Current Year
(in gallons)

<u>Customer</u>	<u>Consumption</u>	<u>Revenue from water consumption</u>
Ingles Market	6,468,800	\$ 39,829
Mountain Ridge Wellness Center	4,647,500	49,126
Creekview Professional Center	2,711,000	28,663
Inspire Corp. DBA Super 8	2,181,000	14,174
RJC, LLC	1,283,400	8,368
Camp Merri Mac	1,108,800	7,186
Shri Hari LTD Inc	1,072,400	6,990
MV Boutique Hotel, LLC	1,047,700	6,830
YMCA of WNC	997,000	6,504
Board of Education	874,900	5,705

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 15
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population (a)	Per Capita Personal Income (b)	Personal Income (in thousands)	Unemployment Rate (c)
2011	8,007	\$ 34,122	\$ 273,215	8.3%
2012	8,011	36,125	289,397	8.2%
2013	8,160	37,029	302,157	7.2%
2014	8,267	37,329	308,599	5.4%
2015	8,384	37,349	313,134	4.7%
2016	8,125	38,831	315,502	4.1%
2017	8,471	39,098	331,199	3.4%
2018	8,460	39,537	334,483	3.2%
2019	8,515	47,432	499,246	3.4%
2020	N/A	N/A	N/A	3.4%

(a) State Office of Budget and Management

(b) US Dept of Commerce, Bureau of Economic Analysis; Asheville Metropolitan Statistical Area

(c) Department of Labor statistics

TOWN OF BLACK MOUNTAIN, NORTH CAROLIN/A

**Table 16
Operating Indicators
Last Ten Fiscal Years**

Department	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Finance										
Checks issued	4,545	2,034	1,987	2,145	2,229	2,156	2,497	2,351	2,400	2,820
Police										
Calls logged	19,475	21,913	20,827	20,862	21,062	24,542	27,698	24,813	26,144	22,546
Training hours	n/a	2,109	2,947	1,528	1,940	2,633	2,369	3,964	2,935	2,465
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Total calls	1,628	1,875	1,848	1,887	2,065	2,198	2,240	2,530	2,351	2,235
Training hours	10,398	11,780	13,010	11,398	8,383	14,886	14,428	12,331	9,597	9,281
Public Services										
Sanitation tonnage	2,898	2,670	2,574	2,639	2,635	2,758	2,603	2,488	2,631	1,993
Recycling tonnage	536	641	637	650	602	613	583	562	637	658
Work orders	3,019	4,600	4,935	5,464	4,812	5,152	4,998	4,957	5,221	4,982
Planning										
Building permits	497	404	514	500	525	654	732	659	682	640
Inspections performed	1,681	1,686	1,744	2,150	2,383	3,020	3,546	3,838	3,094	3,186
Recreation services										
Athletic programs	16	18	16	13	11	9	8	9	11	4
Senior programs	23	25	30	34	35	33	34	42	31	17
Pool attendance	20,673	20,467	16,005	13,414	14,135	17,005	20,048	17,303	15,567	10,154
Water Department										
Number of Customers	n/a	n/a	n/a	n/a	n/a	3,154	3,226	3,304	3,377	3,455
Net Water Produced in Gallons	210,765,128	215,310,992	226,098,256	244,062,868	254,697,824	240,633,000	252,802,144	232,698,696	236,017,748	226,807,072

Sources - Various Town departments.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 17
Full Time Government Employees By Function/Department (budgeted)
Last Nine Fiscal Years

Department	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	6	5	5	5	5	5	5	5	5	5
Planning Services	5	4	4	4	4	4	4	4	4	4
Fire	18	18	19	19	19	19	19	20	21	21
Police	22	22	22	22	22	22	22	22	23	24
Recreation Services	7	5	5	5	5	5	5	5	5	5
Public Services	8	7	7	9	9	9	10	10	10	10
Water	12	9	9	8	8	8	8	8	9	9
Golf	8	8	-	3	3	3	3	3	4	4
TOTAL	85	78	71	75	75	75	76	77	81	82

Source - Human Resources Department

Note - The Town retained management responsibilities for the golf course in May of FY 2014.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Honorable Mayor and Members
of Board of Aldermen
Town of Black Mountain, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Town of Black Mountain, North Carolina** (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 16, 2021. Our report includes a reference to other auditors who audited the financial statements of the Black Mountain ABC Board as described in our report on the Town's financial statements. The financial statements of the Black Mountain ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Black Mountain ABC Board or that are reported on separately by those auditors who audited the financial statements of the Black Mountain ABC Board.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Black Mountain, North Carolina's Response to the Finding

The Town's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
February 16, 2021

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2020 due to the total amount expended being less than \$750,000.

State Awards

There was not an audit of major state award programs for the year ended June 30, 2020 due to the total amount expended being less than \$500,000.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-001 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the Town's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the Town: cash reconciliation process; journal entry review; and accounts payable and expense/expenditure recording.

Context/Cause: Although the small size of the Town's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. During the course of our test-work, we noted the following areas where the Town's control procedures were not sufficient to mitigate risks created due to insufficient oversight:

- Governing the expenditures and accounts payable process, we noted the accounts payable position has access and authority over all stages of the disbursement process. This position has the ability to create purchase orders, is responsible for reconciling the purchase orders to the incoming invoices, is responsible for generating and printing the checks, has access to and the ability to the signature stamps for two of the authorized signers (the Finance Director and Mayor), and is responsible for reconciling the cleared checks from the bank statements each month.
- The manual journal entries can be initiated, approved, and posted by one individual.
- The monthly bank reconciliations can be performed and reviewed by the same individual.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-001 Segregation of Duties (Continued)

Recommendation: We recommend the Town segregate duties and/or implement compensating controls in the key areas noted above.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties. The Town has started evaluating where the Board could help with implementing the necessary compensating controls.